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The Associated Press

Japan Puts Its Diplomatic Good Will Into Writing

Prime Minister Yasuhiro Nakasone of Japan, left, and the Chinese Communist Party chief, Hu Yaobang, right, put their thoughts on paper in a ceremony marking the construction of a new Japan-China Youth Exchange Center in Beijing. Mr. Nakasone also offered to act as an intermediary between China and South Korea to promote improved relations. Page 6.

Chirac, Kohl See Syria Curbs

Iran Affair Puts U.S. On Defensive

By Bernard Gwertzman
New York Times Service

WASHINGTON — Reports about Washington's secret involvement in arms shipments to Iran have caused serious credibility problems for the United States around the world, according to administration officials.

The affair has also put deep strains on Secretary of State George P. Shultz's relations with the White House because, administration officials say, the State Department had opposed the covert mission and had been deliberately denied information about it.

Tensions within the administration were running high Saturday, and aides to Mr. Shultz said the affair could lead to his resignation. The aides also confirmed that he had been told not to discuss the Iran operation publicly.

Administration officials said Friday that contacts with Iran had been approved by President Ronald Reagan and were intended to end Tehran's support for terrorism and to win release of American hostages held in Lebanon by a group believed to have ties to Iran.

The original decision did not cover arms sales to Iran but these were agreed to later, using Israeli middlemen to help win the release of three hostages.

"The Arabs and everyone else are demanding to know what our policy is on dealing with terrorists and on sending arms to Iran, and we haven't been able to tell them anything since all this hit the fan," a top State Department official said. "We've been so holier-than-thou on not giving in to terrorists and on not aiding Iran's war effort that we're going to have a tough time for a while explaining what happened."

Mr. Shultz finds his standing particularly undercut, State Department officials said, because he had assured a meeting of Arab foreign ministers on Oct. 1 that the United States was doing everything it could to halt the shipment of arms to Iran.

"If the secretary is going to resign over something, this would be it," one aide said. "There is no issue he cares about more than counter-terrorism, and the disclosures would seem to make a mockery of everything Shultz stands for."

But he said he did not know what Mr. Shultz intended to do.

Mr. Shultz has made cryptic comments in recent days about the

See IRAN, Page 6

Luc Novovitch/Reuters

Prime Minister Jacques Chirac of France, left, talked with the interior minister, Charles Pasqua, on Saturday at the central committee meeting of the Rally for the Republic.

White House Bypassed CIA in Deal With Iran

By Walter Pincus
Washington Post Service

WASHINGTON — In setting up a secret program linking release of American hostages in Lebanon to clandestine arms shipments to Iran, White House officials in early 1985 bypassed the Central Intelligence Agency to avoid the mandatory disclosure of such covert operations to Congress, according to sources.

After State Department and Pentagon officials objected earlier this year to continuing the program, President Ronald Reagan ordered even tighter secrecy by virtually excluding those two departments from information about the White House-run operation, sources said.

At a White House meeting in January, Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger told Mr. Reagan that they opposed the covert program, sources said. The program already had led to the release, in September 1985, of the Reverend Benjamin Weir.

Mr. Shultz and Mr. Weinberger said the program contradicted the administration's policy of not negotiating with terrorists and of isolating Iran as a supporter of terrorism, sources said.

The two officials also contended that the Iranians could not be trusted to keep such a potentially explosive operation secret.

Support for the program came from the CIA director, William J. Casey; Robert C. McFarlane, who had retired the previous month as Mr. Reagan's national security adviser; and John M. Poindexter, Mr. McFarlane's replacement. They contended that dealing with Teh-

Congress plans to investigate covert operations by the Reagan administration. Page 2.

ran officials was the only way to free four other Americans held by the pro-Iranian Islamic Jihad group.

But Mr. Reagan sided with Mr. Shultz and Mr. Weinberger and temporarily "closed down" the operation, sources said.

In succeeding months, however, the families of the hostages increased pressure on Mr. Reagan, saying he was not doing enough to gain release of their imprisoned relatives, and the president approved resumption of the program.

He ordered, however, that information about it be kept from top State Department officials and sharply limited in the Pentagon, the sources said. Mr. Shultz and Mr. Weinberger apparently knew of the resumption, the sources added, but few of their senior deputies were told.

The program had been initiated in 1985 after U.S. officials decided that only the Iranian authorities

See HOSTAGES, Page 6

EC Expected To Back U.K. On Sanctions

The Associated Press

OGGERSHEIM, West Germany — Chancellor Helmut Kohl of West Germany and Prime Minister Jacques Chirac of France said Sunday after meeting here that they expected the European Community would agree Monday on sanctions against Syria for that nation's alleged role in terrorism.

The EC foreign ministers will meet in London on Monday to decide on measures against Syria that have been urged by Britain, which broke diplomatic relations with Syria on Oct. 24.

Britain's action followed the trial in London of a Jordanian, Nezar Hindawi, who was sentenced to 45 years in prison after he was convicted of trying to plant a bomb on an Israeli airliner in April with alleged Syrian complicity.

Mr. Kohl and Mr. Chirac spoke after a 90-minute meeting in the chancellor's home in Oggersheim, about 60 miles (100 kilometers) south of Frankfurt.

Mr. Chirac refused to comment on a U.S. newspaper report quoting him as saying the Israeli intelligence service apparently planned the bomb plot in London and planted evidence to link the conspiracy to Syria.

The Washington Times last week quoted Mr. Chirac as saying that Mr. Kohl and the West Germany foreign minister, Hans-Dietrich Genscher, had told him of the alleged Israeli role.

The French and West German governments denied the report. Israeli officials said it was "ridiculous."

Mr. Chirac said earlier he had told The Washington Times interviewer he had not been in a position to judge the British evidence on Syria presented at EC foreign ministers' meeting on Oct. 28. But he said the newspaper had given his remarks on the matter "an interpretation without foundation."

France is known to be hesitant about the tough sanctions against Syria advocated by Britain. French officials reportedly are reluctant to isolate a country that they believe must be included in any Middle East peace settlement.

Syria also is the major power broker in Lebanon, where several Frenchmen are missing and believed in the hands of Moslem extremists.

Mr. Kohl and Mr. Chirac, both conservatives, said they believed

See EC, Page 6

LATE NEWS

At Least 32 Die At India Shrine

NEW DELHI (AP) — At least 32 persons were trampled to death Sunday when thousands of religious worshipers stampeded at a shrine to Rama, the principal Hindu deity, in the town of Ayodhya in northern Uttar Pradesh state, the United News of India reported. Ayodhya is said to be the god's birth place.

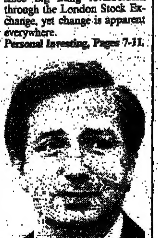
The news agency quoted witnesses as saying that the stampede began as crowds tried to walk along a promenade crowded with buses and vehicles. When some pilgrims began pushing, they stumbled and broke through a barrier. Many fell into a ditch.

2 Whaling Ships Sink

REYKJAVIK (UPI) — Two of Iceland's four whaling ships were sunk Sunday in Reykjavik harbor by someone who removed their hull hatches. Icelandic state radio reported that Sea Shepherd, a breakaway group from the environmentalist organization Greenpeace, claimed responsibility. No one was believed to have been aboard.

SPECIAL TODAY

It has only been two weeks since Big Bang reverberated through the London Stock Exchange, yet change is apparent everywhere.
Personal Investing, Pages 7-11.



Richard Darman, deputy Treasury secretary, said U.S. business management is "bloated and inefficient." Page 13.

Aquino Warns She Will Call People To Streets to Prevent Coup Attempt

By Keith Richburg
Washington Post Service

MANILA — On the eve of a scheduled four-day trip to Japan, President Corazon C. Aquino warned dissidents in the military Sunday that she would have the people "take to the streets" to prevent any attempted coup against her government.

Mrs. Aquino said she has ordered army field commanders to "repel any attacks against our units or any centers of government," including possible attacks from the radical left which, she said, "may also wish to take advantage of my absence."

The army was put on the highest state of alert Sunday and Mrs. Aquino ordered her presidential security force on special alert to prepare for any possible attack on Malacanang palace, the president's office.

Mrs. Aquino, in a televised speech, directly addressed the rumors of a coup plot dubbed "God Save the Queen."

According to reports, a handful of middle-level officers attached to the Defense Ministry were preparing "surgical strikes" to remove key members of her cabinet and to set up a prime ministerial-type system with Defense Minister Juan Ponce Enrile in day-to-day control of the government.

According to the scenario, Mrs. Aquino was to be retained as a ceremonial head-of-state, similar to the role of Queen Elizabeth in Britain.

But Mrs. Aquino said in her speech Sunday, "This queen doesn't want to be saved."

Mrs. Aquino said the plotters spreading the rumors of an impending coup were "a handful of misguided elements" and "self-appointed messiahs."

She warned, "I shall oppose any attempt from any quarter to interfere or dictate to my government, whether blatantly or as the rumored plan God Save The Queen would have it, to protect the presidency."

"To our people, I say be calm, but also be vigilant," Mrs. Aquino said. "What we have won, no one can take away from us, unless we let them," she said, adding, "If it should be necessary, I shall once more ask you to take to the streets."

Mrs. Aquino's warnings to use her "people power" in any confrontation with military dissidents seemed to indicate that, for the first time, palace officials were taking seriously the signs of a coup plot.

Mrs. Aquino had previously laughed off the coup rumors while palace officials painted a picture of "business as usual."

According to the Sunday Inquirer newspaper, which provided the most detailed accounting of the coup planning, the "God Save The Queen" plot was given final approval Tuesday during a meeting of generals.

The Inquirer report, citing palace and military sources, said Mr. Enrile himself presided at the meeting and gave the go-ahead. The defense minister and his spokesman could not be reached for comment Sunday.

Mr. Enrile has accused the Aquino government of being soft on the Communist rebels and has demanded that some of the officials she appointed be discharged.

A military officer close to Mr. Enrile said Sunday that the plan outlined in the Inquirer "is a clever weaving together of fact and fancy." He suggested it was part of a disinformation campaign by either loyalists of former President Ferdinand E. Marcos or by the communist New People's Army.

According to the plan outlined in the Inquirer story, once Mrs. Aquino left for Tokyo, members of the Defense Ministry's 1,000-man security force were supposed to initiate attacks on the palace, the radio and television stations and the print media.

The plan, according to the Inquirer, called for the military to patrol the streets in armored vehicles to prevent a recurrence of people taking to the streets as occurred in February during the coup that installed Mrs. Aquino.

The palace apparently learned of the plot Thursday and ordered the commander of the presidential security group to "repel all predatory forces," according to the Inquirer report.

Egypt's Prime Minister Replaced Over Economy

By John Kifner
New York Times Service

CAIRO — Prime Minister Ali Lutfi was dismissed from office Sunday after failing in his mandate to correct the nation's chronically troubled economy.

President Hosni Mubarak appointed another economist, Atef Sedki, a prominent member of his ruling National Democratic Party, as his fourth prime minister in five years of rule.

President Mubarak, reflecting the government's concern over rising prices and possible social unrest, directed Mr. Sedki to "formulate a firm plan to control prices concerning the essential needs of Egyptians."

Mr. Sedki's most immediate task will be the crucial negotiations under way with the International Monetary Fund, which is pressing for drastic economic reforms in exchange for $1 billion in emergency loans. One reason the emergency loans are needed is that Egypt has fallen $4.3 billion behind in payments on what it already owes on its huge foreign debt.

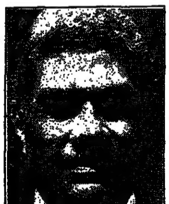
The IMF approval would be a critical step toward Egypt's efforts to reschedule payments on its debts of some $38.6 billion, mainly to Western creditors.

A team of IMF experts is in Cairo now reviewing the Egyptian position and is expected to begin negotiations shortly. The IMF has been pressing for a number of reforms, including a stable exchange rate for the Egyptian pound. One dollar will buy 1.35 pounds at a bank, for example, but 1.90 pounds at soft drink stands and other informal mediums of exchange around town.

An informed source said there was still a "long gap" between the Egyptian and IMF positions despite the lengthy talks that have already gone on.

Another problem is the system of consumer subsidies, mostly for food, that costs $1.47 billion a year and is gradually bankrupting the country.

In his letter of resignation after 14 months in office, Dr. Lutfi, 50, said that "we find it is our duty to announce that public interest calls for giving a chance to another group of Egypt's children to continue the march."



Reuters

Ali Lutfi

Mr. Sedki, 56, has been head of the government's central auditing agency since 1981 and is a former professor at the law school of Cairo University.

Hermann J. Knippertz/The Associated Press

Pollution Contaminates the Rhine

At Unkel, a West German village on the Rhine, residents got drinking water from a water truck after the Environmental Ministry warned residents of towns along the river not to drink the water because of pollution that was coming down from Basel, Switzerland, after a fire at a chemical plant. Page 2.

Voters Back Kohl's Party In Hamburg

By James Markham
New York Times Service

BONN — The Social Democrats were sharply rebuffed Sunday by voters in Hamburg, losing an absolute majority of seats and position as the biggest party in the state's parliament.

In the last state election before a national vote Jan. 25, Chancellor Helmut Kohl's Christian Democrats emerged for the first time in 33 years as the biggest party in Hamburg, which had been a Social Democratic bastion.

The Social Democrats' projected loss was 10 percent from 1982 elections.

The Greens party won an unexpected 10.4 percent of the projected vote with a slate composed entirely of women, the party's best showing in a state election.

The Greens had campaigned for an immediate abandonment of nuclear energy in the northern port state and a clean-up of the polluted Elbe River. The Greens also sought to underscore their commitment to women's rights and their opposition to Christian Democrat efforts to weaken West Germany's abortion statute.

The liberal Free Democratic Party, the junior coalition partner in Bonn, improved on its 1982 showing. But with 4.8 percent of the vote, according to projections, it failed to gain the 5 percent necessary to win seats in the Hamburg parliament.

With a projected 42.2 percent of the vote, the Christian Democrats emerged as the biggest party but without a majority to form a government. Klaus von Dohnanyi, the Social Democratic minister-president in Hamburg, rejected a coalition with the Greens.

Under Hamburg's state constitution, Mr. Dohnanyi remains in power until voted out by a government enjoying a majority. It seemed possible that the two big parties might eventually move toward a coalition in the city-state.

The Hamburg outcome was a demoralizing blow for the Social

See HAMBURG, Page 6

Pondering Cosmos, Think Sponge — Not Meatballs

By James Gleick
New York Times Service

NEW YORK — Astrophysicists closing in on the grand structure of matter and emptiness in the universe are ruling out the meatball theory, challenging the soap bubble theory and putting forward what may be the strongest theory of all: that the cosmos is organized like a sponge.

This new conception holds that a surprisingly complex arrangement of clustered galaxies stretches in connected tubes and filaments from one end of the universe to the other and that galaxy-free voids form an equally complex, equally well connected structure.

Far more rapidly than was possible a few years ago, scientists are assembling data from the most distant galaxies to produce a picture of the universe's structure. The sponge idea is meant to resolve a clash between views of the universe as clumps of matter on an empty background, the meatballs concept, or as empty voids carved out of a full background, the bubbles concept.

Further, many astrophysicists believe that the new concept of sponge-like topology will help connect the present-day structure of the universe, on scales of millions and billions of light years, to submicroscopic events in the theoretical Big Bang in which the universe was formed. They contend that it may offer a framework for explaining the process of cosmic evolution that created such vast signs of order out of the primordial random turmoil.

"It's a clever new approach," remarked Jeremiah P. Ostriker, an astrophysicist at Princeton University who has followed the new work. "It looks to be a powerful tool for discriminating between different physical models for how the universe got its structure, and that's the really exciting thing."

Until the 1970s, most astronomers assumed that galaxies were more or less evenly distributed through the universe, with no special structure at all. Then they found evidence that galaxies formed clusters, and many conjectured that the dominant organization of matter was in the form of clumps.

Alternatively, when further observation revealed unexpected voids, some proposed that the voids were dominant — an idea that gained strong support a year ago from a project to map the distant universe in three dimensions. The project's first detailed slice showed holes strongly suggestive of a sea of bubbles, with galaxies living on the bubbles' surfaces.

In sponge-like topology, neither clumps nor voids prevail.

Those studying it believe that the sponge structure is particularly natural. It is somewhat hard to visualize, though, and at a recent conference in China the astrophysicists displayed stereoscopic slides and handed out hundreds of pairs of red-blue 3-D glasses.

"We're used to thinking about these things in two dimensions," said Dr. J. Richard Gott 3d of Princeton, one of the originators of the sponge idea. "You think, gee, is it the high-density regions that are connected or is it the low-density? Is it like white polka dots on a black background or black polka dots on a white background? You fool yourself."

In three dimensions, regions of stuff and not-stuff can both be interconnected — as they are in a sponge. The solid part of a sponge is all one piece. And the hollows, through which seawater flows, are also one "piece."

In fact, there is a symmetry between the two. One might imagine filling a sponge with concrete and then covering it with acid to eat away the soft part. "You'd be left with a

See COSMOS, Page 6

Lawmakers Expect a Query of U.S. Covert Actions

By Stephen Engelberg
New York Times Service

WASHINGTON — Members of Congress say they will investigate whether the Reagan administration had used the White House staff to circumvent congressional restrictions on foreign policy and covert operations.

They expressed concern that officials of the National Security Council had been the focal point for covert operations involving two of the administration's most sensitive foreign policy initiatives: support for the Nicaraguan rebels and secret arms shipments to Iran.

"There's nothing wrong with secret diplomacy, but if you are doing it as a way to get around specific laws, then everything is wrong," said Senator Patrick J. Leahy, the Vermont Democrat who is vice chairman of the Senate Select Committee on Intelligence. "If you use a White House staffer to get around the prohibition of American involvement in Central America, that's absolutely wrong."

"And if you go behind the back of Congress to provide arms to Iran, that's wrong, too," Mr. Leahy said. "The basic question is whether they are using the NSC to get around American law."

Mr. Leahy said he expected that the intelligence committee would closely examine the question of whether Congress should have been notified about the shipment of arms to Iran in a reported attempt to help win the release of American hostages in Lebanon.

Administration officials have repeatedly insisted that they are complying with all applicable statutes in their foreign-policy dealings. One administration official said, however, that the Central Intelligence Agency had not been used for the deliveries to Iran because it would have been required to brief the Congress on any such operation, leading in turn to its disclosure.

The assertion that Congress could not keep such matters confidential was vigorously disputed by senior congressional officials.

At the center of inquiries by the House and Senate intelligence committees, as well as the Senate Foreign Relations Committee, are the purported activities of Lieutenant Colonel Oliver L. North, the deputy director of political-military affairs on the National Security Council.

Administration officials have said that he advised and assisted a private network that funneled supplies to the Nicaraguan rebels, or contras, since Congress cut off aid in 1984. Other officials have said that Colonel North, working directly and through intermediaries, was a key figure in arranging the secret arms shipments to Iran.

Administration officials disclosed Saturday that among the intermediaries for Colonel North in Iran as well as Nicaragua was Richard V. Secord, a retired major general who once oversaw U.S. arms sales in the Middle East.

General Secord, whose involvement in Nicaragua had been known previously, could not be reached for comment.

The inner workings of the NSC and its staff are among the more tightly held secrets in Washington. But officials familiar with its activities said Colonel North's missions are often known by only a handful of senior presidential advisers.

His role was described as "operational" by one knowledgable source, who said he sometimes works without consulting area specialists at either the NSC or State Department.

Congressional efforts to investigate North's activities could spur a sharp clash with President Ronald Reagan. A year ago, when congressional committees began pressing for such items as Colonel North's phone logs and appointment calendars, the White House refused, citing "executive privilege." Under that legal doctrine, the internal workings of the president's staff are held to be exempt from congressional scrutiny.

At the time, published reports said Colonel North was advising the contras, possibly in violation of the congressional ban on direct or indirect aid.

The Senate Intelligence Committee wrote a letter to Robert C. McFarlane, then the president's national security adviser, asking if the reports were true, according to a committee aide. He responded that the law had not been violated. The committee did nothing more to investigate the reports, the aide said.

On the House side, Mr. McFarlane was called to testify in closed session. Little else was done to investigate the allegations, according to a congressional source.

Both congressional intelligence committees have questioned whether they are the appropriate panels to look into the NSC.

The committees' chief responsibility is for the intelligence agencies, such as the CIA or the National Security Agency. The NSC provides direction to these agencies, and other arms of the foreign policy apparatus.

Senator Robert C. Byrd, the West Virginia Democrat who is expected to be the majority leader in the 100th Congress, said last week that he expected the relevant committees in the Senate to examine the Iran arms shipments and related issues closely.

"Is it a violation of the law? I don't know," Mr. Byrd said. "I think in some instances, they have been playing very fast and loose, and they're not going to be able to do that as much now that the Democrats control these committees."

India Detains Rebels From Sri Lanka

By Steven R. Weisman
New York Times Service

NEW DELHI — In a major rebuff to Tamil guerrilla insurgents in Sri Lanka, India placed several top Tamil guerrilla leaders under house arrest Sunday at their base of operations in the southern Indian city of Madras.

It was the second move by India in two days against the Tamil guerrillas, who for years have used southern India as a sanctuary and arms supply center from which to carry out their insurgency.

On Saturday, the police in Tamil Nadu state detained hundreds of guerrillas and seized huge caches of weapons.

Indian news agencies said the guerrilla leaders arrested Sunday would remain under house arrest for 10 days, until after an annual summit meeting of the leaders of the countries of South Asia.

Among the guerrilla leaders detained were two prominent leaders of the largest insurgent group, the Liberation Tigers of Tamil Eelam. Tamil Eelam is the name given to the country the Tamils want to establish.

The two were Velupillai Prabhakaran, the principal guerrilla strategist, and Anton Balasingam, the group's spokesman and theoretician. News reports in Madras said they were at their residences with armed guards posted outside.

There was no estimate how many leaders were detained, but Indian news agencies said only a few leaders were held and the guerrillas themselves were not.

The Tamils are waging a guerrilla war to obtain an independent nation in the northern and eastern part of Sri Lanka.

India's actions Sunday marked a shift in its approach in sponsoring negotiations to end the fighting in Sri Lanka, which has led to thousands of deaths in the past few years.

India has tried to bring the various parties together or to act as an intermediary in conveying the insurgents' demands to the government of Sri Lanka in Colombo.

But, to the irritation of Sri Lanka's president, Junius R. Jayawardene, India has rarely put pressure on the militants to come to terms with the government they have been fighting.

In Colombo, a top Sri Lankan official expressed surprise that India had moved against the Tamil guerrilla leaders, who only a week ago again rejected the latest government offer for a solution to the conflict.

"It was certainly unexpected," said Lalith W. Athulathmudali, Sri Lanka's national security minister. He added that "nobody here or elsewhere thought" that a government that had often denied that it was harboring the rebels would now arrest them.

The arrests Sunday appeared to be part of a new Indian strategy to put pressure on the guerrillas.

On Saturday, the police swept through the southern Indian state of Tamil Nadu, detaining hundreds of guerrillas and seizing what news reports said were large caches of weapons. Most of those detained were later released, according to Indian news reports.

The President's Colonel: Risky, Secret Operations

By Richard Halloran
New York Times Service

WASHINGTON — Since 1981, when he reported to the White House for duty on the National Security Council, Lieutenant Colonel Oliver L. North has had a reputation for involvement in risky, secret operations, including the private network to aid the Nicaraguan rebels and the unfolding Iranian venture intended to obtain the release of American hostages in Lebanon.

Over the last five years, the Marine Corps officer has become a key official whose role, government officials say, has been to draw up plans, to have them approved by Vice Admiral John M. Poindexter, President Ronald Reagan's national security adviser, and to see that they are carried out.

Among his tasks, officials say, was to help equip the National Security Council to take part directly in covert operations. He was also assigned to draw up presidential directives intended to provide for continuity in the government during a nuclear conflict.

The officials say Colonel North was also deeply involved in planning the invasion of Grenada in 1983 and helped plan the capture of Arab terrorists after the hijacking of the Italian cruise ship Achille Lauro last year.

In his work, the officials say, Colonel North has often relied on a network of military officers and civilian operatives he met during the Vietnam War. They include Major General John K. Singlaub, a retired army officer, and Major General Richard V. Secord, a retired air force officer.

For Colonel North, 43, it has been a heady experience, say officers and officials who know him, since he has far more authority than any other military officer of his grade. The associates say he has also offended many senior officers, either because they are jealous or because they resent taking orders from a lieutenant colonel acting in the name of the president.

Colonel North's work has been so secret that the National Security Council has directed the Marine Corps not to release his service record, a document usually available for the asking. But a portrait of the marine and his career has been pieced together from military officers and civilian officials.

Colonel North graduated from the Naval Academy in 1968 and chose the Marine Corps. He fought in Vietnam, won the Silver Star and was wounded.

In Vietnam, he was assigned to counterinsurgency operations in which he met General Singlaub and General Secord, then lieutenant colonels. He later served as a planner in the Marine Corps headquarters in Washington.

Among several military officers sent to the National Security Council in mid-1981, Colonel North was the most junior. He was described as a bright, articulate officer with a "gung ho" spirit who saw the world in blacks and whites.

Over time, those who know him say, Colonel North became "a true believer" in Mr. Reagan's policies.

Among Colonel North's first tasks, an official said, was to improve the White House apparatus for crisis management, including a revamping of the situation room that is to be used in a military alert.

At the end of 1981, Mr. Reagan eased out Richard V. Allen as his national security adviser and brought in William P. Clark, a longtime friend, from the State Department. Mr. Clark brought in Robert C. McFarlane, who took Colonel North under his wing.

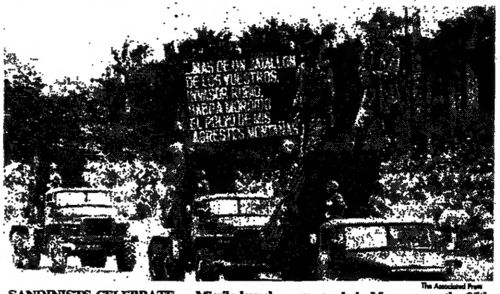
As the staff officer in charge of crisis management, Colonel North reviewed the administration's plans for protracted nuclear war and the survival of the president and other top officials, and prepared directives for the president to sign.

He also took part in what an official called "the education of Ronald Reagan," who had come to the White House with little military experience.

Colonel North, promoted to lieutenant colonel in 1983, did most of the White House staff work for the invasion of Grenada.

About this time, he also became the key action officer for Central America. He planned and supervised the mining of Nicaraguan harbors by Central Intelligence Agency agents in late 1983. After it was discovered, many members of Congress were highly critical.

After Congress cut off aid to the Nicaraguan rebels in 1984, Colonel North activated a private network that included General Singlaub and General Secord to raise funds and to arrange for deliveries of arms and supplies, officials say.



The Associated Press

SANDINISTS CELEBRATE — Missile launchers on parade in Managua on the 25th anniversary of the Sandinist National Liberation Front and the 10th anniversary of the death of Carlos Fonseca, a founder. The sign depicts the capture of Eugene Hasenfus, who flew arms to rebels. The quote is from Augusto Sandino, for whom the front was named: "More than a battalion of yours, blond invader, have bitten the dust in my wild mountains."

Artur London, 71, Dies; Czechoslovak Writer

The Associated Press

PARIS — Artur London, 71, a former government minister in Czechoslovakia who wrote a book describing his "show trial" there, died Saturday in Paris after a long illness, his family said.

Mr. London, a deputy foreign minister from 1949 to 1951, was author of "The Confession," which told of how he was brainwashed into admitting political "errors" in a trial by a Czechoslovak court during the Stalin era in 1951. He spent five years in prison.

His book was made into the film "L'Aveu" by the Greek director Konstantinos Costa-Gavras. Mr. London's book and the film were strongly attacked by the Communist media.

Mr. London was rehabilitated and released in 1956, coming to settle in France in 1963 and publishing "The Confession" in 1969.

Lili Kraus, 83, Concert Pianist Who Toured Europe in 1930s

ASHVILLE, North Carolina (AP) — Lili Kraus, 83, an internationally acclaimed concert pianist who was a leading interpreter of Mozart, died Thursday at Tide Memorial Mission Hospital after intestinal surgery.

She was born in Budapest. She began studying piano at 6 and at age 8 entered Budapest's Royal Academy of Music, where Zoltan Kodaly and Bela Bartok were among her teachers. At 17, she entered the Vienna Conservatory of Music, where one of her teachers was the pianist Artur Schnabel.

Howard Thomas, 77, Founder Of British Television Network

HENLEY-ON-THAMES, England (AP) — Howard Thomas, 77, a writer and producer who helped pioneer commercial television in Britain, died Thursday in a hospital near his home here, the Independent Broadcasting Authority said.

He was one of the founders of Independent Television, which began its first regular broadcasts in London in 1955. The network links 15 regional commercial stations in Britain, including two in London.

AP

Artur London

After Delay, U.S. Begins Trade Curbs on Pretoria

Reuters

WASHINGTON — The Reagan administration has begun carrying out sanctions imposed by Congress on South Africa, after weeks of delay that have caused chaos at ports and prompted accusations by legislators that the administration failed to act promptly.

U.S. officials said the delay had been caused by mistakes and inconsistencies in the complex legislation. "It's a mess," a State Department official said.

Congressional aides said the administration has been slow in enforcing the measures that Congress adopted on Oct. 2 by overriding a veto by President Ronald Reagan.

The law banned new U.S. public and private loans and new investment by American business in South Africa.

Imports of South African steel, iron, farm products and food, military vehicles and ammunition were banned immediately. After 90 days textiles, uranium and coal were to be added to the list.

Mr. Reagan, who opposes what he calls punitive sanctions against South Africa, did not order until Oct. 27 that the law be carried out.

During that time, South African goods piled up at U.S. ports and airports. South African Airways, banned from flying to the United States since Oct. 12, continued to land at New York.

An official said that customs agents were confused about which goods were affected by the import ban, so they held up all goods from South Africa pending orders from Washington.

Officials later agreed to release goods if the U.S. importer signed a declaration of responsibility for possible violations of the law.

Representative Mickey Leland, a Texas Democrat and leader of a group of blacks in Congress, the Congressional Black Caucus, said: "I am appalled that the anti-apartheid law has not been carried out."

A U.S. official attributed the delay partly to a belief in the White House, until a few hours before the vote, that the administration could defeat the sanctions bill.

This left no contingency plans to enforce the measures, as there are when sanctions result from administration policy.

Many officials say that inconsistencies and contradictions in the law, caused by the haste in drafting amendments, have been the stumbling block.

One problem arose over the wording of a textile ban. The State Department official said it was written so broadly that "any South Africans arriving in the U.S. would have had to strip when they got off the plane."

The official said another problem arose over ferro-alloys, or iron-based sheet metals. The American steel industry, which wants to guarantee its supply of cheap South African alloys, wants these included on a list of strategic materials exempt from the import ban.

■ Soweto Blacks, Police Clash

Black youths and municipal police fought a gun battle on Saturday in the black township of Soweto, Reuters reported from Johannesburg, quoting government officials.

The township has been tense for several days after at least three persons were killed by security forces.

Blacks fired 10 shots on Saturday at the municipal police, who fired back, according to the Bureau for Information's daily report on political unrest. It said there were no deaths or injuries in the clash.

It was the first time since the round of violence began on Wednesday that the government has reported police coming under fire in Soweto.

The Sunday Star newspaper in Johannesburg, quoting local residents, said that at least seven persons and possibly as many as 15 were shot and killed on Wednesday after bailiffs tried to evict a family owing rent. The official toll is three dead and eight wounded.

On Saturday, striking black workers and police clashed at the Kinross mine, where 177 miners were killed in a fire in September, the worst gold mine disaster in South Africa.

Rhine's Ecological Balance Is Endangered by Pollution

By William Tuohy
Los Angeles Times Service

BONN — Walter Wallmann, the West German environment minister, has warned that the ecological balance of the Rhine River, Western Europe's busiest waterway, might be damaged by toxic waste poured into it in Switzerland a week ago.

Mr. Wallmann said Saturday that it was too early to determine the extent to which the Rhine might be affected. But he suggested that in the meantime no drinking water be drawn from it.

The Rhine was polluted when a fire broke out in a chemical factory in Basel, Switzerland. The water used to extinguish the fire poured into the Rhine along with pesticides and mercury from the chemical plant.

Those pollutants have been drifting down the Rhine past major cities in France and West Germany and will reach the North Sea at Rotterdam.

The stretch of pollutants is said to be about 25 miles (40 kilometers) long. It was expected to flow by Bonn on Sunday before passing through the most populous area of West Germany on its way to the Netherlands.

The Dutch have also alerted their river specialists and are planning to divert the polluted waters directly into the North Sea.

The Rhine, one of the major scenic attractions of Western Europe, begins in the Alps and flows northward out of Switzerland, forming the French-West German border for a considerable distance, then continuing through West Germany and on to the Netherlands and the sea.

Mr. Wallmann was mayor of Frankfurt until Chancellor Helmut Kohl created his ministry in June in reaction to the Chernobyl nuclear accident in the Soviet Union.

WORLD BRIEFS

Rebel Force Accepts Truce in Chad

PARIS — Chadian rebel forces led by former President Goukouni Oueddei have agreed to a cease-fire with the government of President Hissène Habré, a Paris spokesman for Mr. Goukouni said Sunday.

The spokesman, Adoum Togoi, said the rebels agreed to the cease-fire on Oct. 24 because of attacks against their forces by Libya, which formerly supported Mr. Goukouni. Libya has arrested more than 55 members of Mr. Goukouni's exiled Transitional Government of National Unity since Oct. 30.

Mr. Goukouni was seriously wounded on that day during a shoot-out with Libyan troops in Tripoli. "His life is no longer in danger, but he is still in a hospital near Tripoli and we are asking for his freedom and for the freedom of our associates arrested several weeks ago by the Libyans," Mr. Togoi said.

7 Die in Amal-Palestinian Fighting

BEIRUT (UPI) — Shiite Moslem Amal militiamen and Palestinian guerrillas trapped in a refugee camp in Beirut fought Sunday for the 17th straight day. The police said seven persons were killed and more than 30 wounded.

Explosions of artillery shells, mortars and rocket-propelled grenades, and bursts of machine-gun fire in and around Burj al-Brajneh in the Shiite-controlled southern suburbs, echoed across the capital all day Sunday.

Despite torrential rains, Palestinians in the besieged camp and Amal gunmen on its fringes lobbed dozens of shells into residential neighborhoods inflicting extensive damage in scores of houses and other property. Amal militiamen accused Palestinian fighters positioned in the Chouf mountains overlooking Beirut of unleashing a barrage of artillery fire on Shiite residential areas in the city, but the guerrillas denied the charges.

Second Unit Restarted at Chernobyl

MOSCOW (AP) — The No. 2 reactor at the Chernobyl nuclear plant has been restarted for tests following the return to service of the No. 1 unit, it was reported Sunday.

Both reactors, along with a third unit, were shut down in April after an explosion tore open the No. 4 reactor at Chernobyl and sent radiation spewing into the atmosphere.

Radio Moscow said, "The second generating unit has been recommissioned at the Chernobyl nuclear power plant after the first was put into service" to help supply power to the Ukraine. It added that "special measures were taken to increase the safety of the reactor and all plant equipment."

Peruvians Vote in Municipal Elections

LIMA (UPI) — Peruvians voted Sunday in municipal elections, with the issue in the capital being whether to keep in office Mayor Alfonso Barrantes Lingán, the only Marxist mayor elected to govern a capital city or major metropolitan area in South America.

About 8.5 million voters were to elect mayors and council members in Peru's 180 provinces and 1,570 districts. The elections provided the first nationwide test of President Alan García Pérez's center-left American Popular Revolutionary Alliance, which came to power in July 1985. Mr. Barrantes was the presidential candidate who came in second in the general elections in April 1985.

Voting is obligatory in Peru, and tens of thousands of soldiers and counterinsurgency police were on guard to prevent Maoist Shining Path rebels from disrupting the vote. Officials of the National Elections Board said violence by rebels in five of Peru's 24 states had prompted the suspension of elections in 43 districts, affecting 47,000 people.

Reuters

Alan García Pérez

Rail Link Cut, Mozambican Rebels Say

LISBON (Combined Dispatches) — Rightist Mozambican rebels said that they cut the rail link from Zimbabwe to the Mozambican port of Beira at four points Saturday and that they destroyed a train traveling through the corridor Thursday.

The Mozambican National Resistance Movement also said in a statement distributed here that its forces had killed 164 Mozambican troops, 131 Zimbabwean soldiers and 12 Cuban military instructors in attacks during the last week. There was no independent confirmation of the claims.

In Maputo, a survivor of the plane crash Oct. 19 that killed President Samora Machel of Mozambique said that South African officials had tried to get him to defect to the rebel movement while he recovered in a hospital, the Mozambique press agency reported Sunday. Vasco Langa, a protocol officer in the Mozambican Foreign Ministry, said he was told by the South Africans he would not get proper treatment unless he went over to the rebels, the agency said. *(Reuters, AFP)*

For the Record

Two supertankers were reported hit Sunday in Iraqi air attacks in the northern Gulf, according to shipping sources. They said a Cyprus-flag tanker was hit, but its crew was taken off safely. Lloyds Shipping Intelligence later said that an Iranian tanker had also been hit. *(Reuters)*

Livia Bota, a Romanian and the director of the United Nations Institute for Disarmament Research, was accused last week in Bucharest of having spied for a foreign power while working in Geneva. Mr. Bota has been prevented by the Romanian authorities from returning to his UN post since he was recalled to Bucharest in December. *(AFP)*

Prime Minister Felipe González of Spain arrived Saturday in Quito, Ecuador, where economic issues were expected to dominate his talks with leaders. He will also visit Peru and Cuba. *(Reuters)*

The U.S. Pacific Fleet commander, Admiral James Lyons, who commands the first U.S. warships to make a port call to China in 37 years, held talks in Beijing on Sunday with Defense Minister Zhang Aiping, the Xinhua New Agency reported. *(AFP)*

DOONESBURY

AMERICAN TOPICS

Seniority Inadequate To Open Pork Barrel

Congressional seniority is less a factor in who gets lucrative pork barrel federal projects than districts that already have major research and defense contractors, military bases or federal agencies, The Washington Post reports.

A study by Targeted Research Associates, a Washington firm, said that Missouri's First Congressional District received $5.4 billion in fiscal 1985, more than any other of the 435 districts. Its congressman is William L. Clay, a nine-term Democrat whose highest committee post is the chairmanship of a subcommittee on labor-management relations. But the district is home to General Dynamics and McDonnell-Douglas, two huge defense contractors that receive periodic infusions of taxpayers' money.

Although the Texas district represented by the majority leader in the House of Representatives, Jim Wright, is among the 10 best-funded, so are two districts in Georgia and Virginia whose congressmen have served no more than four years each, but which harbor Bell Helicopter, Lockheed and the Newport News shipyard.

By contrast, some of the most powerful committee chairmen in the House "rank among the lowest in securing benefits for their constituents," the study said. Among them are Jamie L. Whitten, Democrat of Mississippi and chairman of the Appropriations Committee, who ranked 365th; Les Aspin, Democrat of Wisconsin and chairman of the Armed Services Committee, 384th; and John D. Dingell, Democrat of Michigan and chairman of the Energy and Commerce committee, 372nd.

Short Takes

Most mothers with children under 18 stay at home most of the time, despite the influx of women into the labor force over the past generation, according to a study by the American Enterprise Institute, a private policy research group. It said that about 60 percent of such mothers were not working full time and that about 40 percent were not working at all.

Susan Ragan/The Associated Press

JACKPOT CLIMBS — As the jackpot in the New York Lottery's lotto game reached $22 million, New Yorkers began lining up to buy tickets in Manhattan.

Coups are familiar to Domingo Linale, a Bolivian who has taken part in a couple himself. Now a naturalized American living in Miami, Mr. Linale is marketing a board game called International Intrigue. As in real life, player-plotters can choose to defend the government or to try to take it over. A roll of the dice can land a player on squares such as the Ministry of Internal Affairs, the army and the secret police.

Shorter Takes: A Miami grand jury refused to indict Prentice F. Rasheed, whose booby trap electrocuted a burglar who had broken into his general-merchandise store. The jury said there was no evidence that he had intended to kill anybody. • In an age of personal computers, the long, yellow legal pad is thriving. The U.S. Census Bureau says nearly 369 million were manufactured last year, 10 or 15 percent more than a decade ago.

• With motels going up downtown as well as on the highway, their distinction from hotels is increasingly blurred. The American Hotel and Motel Association says the only difference it recognizes is that motels always provide parking.

Notes About People

Walter F. Mondale, the 1984 Democratic party nominee for the presidency, has confirmed that he turned down a request from Ernest Pikeger, a Wisconsin lawyer, to defend Eugene Hasenfus, the Wisconsinite put on trial in Nicaragua after his rebel supply plane was shot down. Mr. Mondale said: "I was the Democratic nominee for president. I have strong views about Nicaragua. I dislike the Sandinistas, and I don't approve of the 'contra' operation. I would have to find out who is paying Hasenfus. I told him, 'I think you would be wiser to find someone less politically charged.'"

William P. Rogers, who has appeared before Senate committees to win confirmation as attorney general and as secretary of state, says the chief rule of conduct in such appearances is, "Say as little as possible while still appearing to be awake."

—ARTHUR HIGBEE

Kennedy Chooses Senate Labor Chair Over Judiciary

By Jonathan Fuerbringer

New York Times Service

WASHINGTON — Senator Edward M. Kennedy has chosen to take over the Senate Labor and Human Resources Committee, thereby clarifying the probable lineup of key chairmanships when the Democrats assume control of the Senate next year.

His decision to head that committee rather than the Judiciary Committee, announced Saturday in Boston, leaves the Judiciary chairmanship to Senator Joseph R. Biden Jr., a Delaware Democrat who is a possible presidential contender in 1988.

The Democrats won control of the Senate in Tuesday's elections, taking 55 seats to the Republicans' 45, which allows them to choose committee chairmen. The chairmanships will be formally decided by the Senate Democratic caucus but are generally awarded on the basis of seniority.

Mr. Kennedy had seniority on both the Labor and Judiciary committees and so could choose either.

One other chairmanship is still in some doubt. Senator J. Bennett Johnston of Louisiana is in line to be chairman of Energy and Natural Resources. But he is challenging Senator Robert C. Byrd of West Virginia, the current Democratic leader, for the job of majority leader. If Mr. Johnston became the majority leader, Senator Dale Bumpers of Arkansas would be in line to be chairman of the energy panel.

With Mr. Kennedy's decision, moderate to conservative Democratic senators from the South and Southwest will be in control of 9 of the 17 key committees.

In assessing the impact of these chairmen, said Norman Ornstein, a fellow at the American Enterprise Institute, "You've got a senior group of Democrats who are more conservative than the Democrats in the Senate.

"Therefore," he added, "there will not be a sharp difference from the Republican Senate" in most cases. When the Republicans were in control the committee chairmen were generally less conservative than the Republican members over all.

Despite the moderate bent of most of the probable new chairmen, some sharp clashes are expected when the Senate Democrats start setting their own agenda for the first time in the Reagan administration. One of the first clashes of the 100th Congress may be a fight over trade legislation.

Several of the new chairmen said they were pleased by the moderate to conservative philosophy of the Democrats that will head the committees.

Senator David L. Boren of Oklahoma said the new lineup would help the Democratic Party over all. Mr. Boren, who is expected to be chairman of the Select Committee on Intelligence, said: "We feel our region needed representation again and that we needed more Democrats in the moderate wing of the party."

And, he said, "it really gives a new lease on life in the part of the country where the Democratic Party needs to make a comeback."

Senator Lawton Chiles of Florida, who appears to be the new chairman of the Budget Committee, said: "We're a group that has been working together for a long time. We're all fiscal conservatives and pragmatists."

The sharpest shifts in policy and ideology are expected on Labor and Human Resources, Judiciary, Banking and Foreign Relations. Mr. Kennedy, a liberal from Massachusetts, will be replacing Orrin G. Hatch, a conservative Republican from Utah. Mr. Biden will be taking over Judiciary from Strom Thurmond of South Carolina.

At Foreign Relations, Claiborne Pell, a Rhode Island Democrat who opposes aid to the rebels in Nicaragua, replaces Richard G. Lugar, who supported such aid.

At Banking, William Proxmire, a Wisconsin Democrat who will be replacing Jake Garn of Utah, is expected to be more attuned to consumer interests.

Mr. Biden was not available for comment Saturday, but his staff said he would assume the Judiciary chairmanship, which is expected to be one of the most visible jobs in the Senate as the Democrats try to fend of judicial nominations of President Ronald Reagan.

This year, as the ranking Democrat on the committee, Mr. Biden led the fight against Daniel A. Manion, who was ultimately confirmed for the federal appellate bench, and worked unsuccessfully against the nomination of William H. Rehnquist as chief justice of the United States.

The Labor chairmanship will put Mr. Kennedy in a position to formulate new directions for government programs concerning benefits, jobs, health and education, rather than the more defensive position at Judiciary.

He will also be involved in many programs important to the organized labor movement.

Pundits, Pratfalls Among the Polls

Election Pollsters' Lament Focuses on Elusiveness of Quarry

By Martin Tolchin

New York Times Service

WASHINGTON — A postmortem of the professional pollsters' performances this election year shows they accurately indicated that many of the Senate races would be close, and they often showed candidates moving from the loser column to the winner.

But there were wide fluctuations in polling competence and many errors that exceeded the margin of sampling error of three to five percentage points that is generally factored in.

"Polling ranged all over the lot," said Peter Hart, a Democratic pollster.

In the elections, Democrats retook control of the Senate by a margin almost no one predicted and made smaller gains in the House, and the Republicans picked up several gubernatorial slots around the nation.

Explaining their performance, the pollsters speak of sampling errors. They note last-minute voter shifts. They lament the difficulty of identifying likely voters, the perils of low voter turnout and the seemingly quixotic decisions of hitherto undecided voters.

Key ingredients in any poll include the size of the sample and its distribution, whether it includes an adequate proportion of blacks or Hispanics, for example. If it surveys a small number of people, it carries a greater margin of error.

And "if the turnout is 10 percent greater or less" than was anticipated, "you get different results," said Tom Griscom, executive director of the National Republican Senatorial Committee, which financed polls for candidates.

The biggest problem, said John Brennan, a polling specialist for ABC News, was trying to identify likely voters.

"The young voters didn't show up," he said.

Mr. Hart, the Democratic pollster, is among those who work for the candidates themselves. These polls indicate whether a candidate is gaining or losing momentum; they set off warning signals and inform a candidate on the issues and events that are shaping the contest.

In addition, many news organizations have started their own political polling, with mixed results.

A Washington Post-ABC News poll completed Oct. 29 indicated leading margins for what turned out to be losing candidates in 4 of 10 close Senate races.

One major poll showed leading margins for losers in 4 of 10 Senate races.

In Colorado, the poll gave Ken Kramer, the Republican, a seven-point edge; Timothy E. Wirth, the Democrat, actually won by two percentage points. In Idaho, the poll gave John V. Evans, a Democrat, a two-point edge; the incumbent, Senator Steven D. Symms, a Republican, eked out a four-point victory.

In South Dakota, the poll gave Senator James Abdnor, a Republican, a five-point edge; his challenger, Thomas A. Daschle, a Democrat, won by four points. In Washington, the poll found Brock Adams, the Democratic challenger, trailing Senator Slade Gorton by five points; Mr. Adams won by a two-point margin.

The poll was more accurate, however, in recording voter sentiment for the Democrats who won their Senate races in California, Florida, North Carolina, Louisiana and Nevada.

The Denver Post, in a tracking poll, accurately projected the outcome of the race between Mr. Kramer and Mr. Wirth, although it gave Mr. Wirth a winning edge of four points instead of the actual two.

Less successful was a poll of 405 likely voters between Oct. 29 and Nov. 1 conducted for The Birmingham News by Capstone, a University of Alabama organization. It found Senator Jeremiah Denton, a Republican, leading his Democratic challenger, Representative Richard C. Shelby, by 52 percent to 45.

Three days later, Mr. Shelby won the race, by 11,000 votes.

Panel Charges That Supreme Court Undermines Sovereignty of U.S. States

By Robert Pear

New York Times Service

WASHINGTON — A Reagan administration report says that the Supreme Court has systematically undermined state sovereignty for more than 50 years and proposes a strategy to correct what it calls an "erroneous judicial reading" of the U.S. Constitution.

The confidential report on federalism concludes, after a 15-month study, that the court has improperly pre-empted and invalidated the states' legitimate exercise of their sovereign powers, leaving them to act only as "satrapies" or "administrative units" of a "virtually omnipotent national government."

White House officials said the report would set the agenda for domestic policy in the next two years. It was submitted last week to the Domestic Policy Council, a cabinet-level advisory body, by its Working Group on Federalism, composed of officials from nine agencies.

Assistant Attorney General Charles J. Cooper is chairman of the working group. Attorney General Edwin Meese 3d presides over the council.

The document, which was obtained by The New York Times, particularly criticizes the court's broad interpretation of the federal power to regulate interstate commerce. It calls for litigation aimed at overturning some judicial decisions and it says Congress itself should halt "the practice of conditioning eligibility for federal grants on compliance with regulations having little or no relationship to the program being funded."

"Grants for highway construction, for example, have been used to require that states regulate billboard advertising, hide junkyards along the road, survey all their roads to identify and correct hazards, impose Hatch Act prohibitions on the political activity of state employees, adopt a 21-year-old drinking age and comply with the now infamous 55-mile-per-hour speed limit," it continued.

Mr. Cooper, a former law clerk to Justice William H. Rehnquist of the Supreme Court, who is now chief justice, said in an interview that "the national government has been behaving without legitimate constitutional warrant" in usurping state authority.

The report asserts that the Supreme Court has struck down state laws in cases where no actual conflict with federal law and no evidence that Congress intended to pre-empt state law existed. For example, it said federal judges had invalidated state divorce laws, state noise regulations, state utility regulations and state usury laws.

It says the Supreme Court showed "indifference" to the principle of federalism in 1973 when it guaranteed women access to abortion and limited the states' power to regulate abortion. Moreover, it says court rulings on the reapportionment of state legislatures since 1962 represent "an unprecedented intrusion" into state affairs.

Under the constitution, Congress has the power to regulate interstate commerce. By its expansive interpretation of this power, the report says, the Supreme Court has given the federal government a virtual "license to prescribe uniform public policies in an almost limitless range of areas traditionally within the province of state governments."

In this way, it said, the "commerce power" has been used to "undermine the sovereign decision-making authority of the states" and "the Supreme Court has acquiesced" in improper expansions of federal power.

The report, "The Status of Federalism in America," makes these proposals:

- Before passing any bill, Congress should assess its effects on federalism. Congress should amend its rules to permit lawmakers to raise a point of order against any bill that violates "the sovereign prerogatives of the states."
- States should be allowed to consolidate numerous federal grants into one lump sum, with few federal restrictions on use of the money.
- Federal agencies should not be able to pre-empt state laws by issuing regulations. Federal laws should not be construed as pre-empting state laws unless Congress declared its desire to do so.
- The Justice Department or the Office of Management and Budget should review all proposed federal rules to assess their effects on federalism.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

A Harmful Little Pact

As October faded, Japan reduced its interest rates slightly in response to American pressure, and the two countries announced a vague commitment to stabilize the exchange rate between the dollar and the yen. The deal seemed an obvious Japanese gift to help the Reagan team at the polls a few days later. But the real connection between Japanese policy and American politics goes painfully deeper.

The deal was too small to help President Reagan. Pulling the discount rate down from 3.5 to 3 percent is not going to produce the faster expansion needed in Japan to help correct the vast U.S. trade deficit and Japan's troublesome surplus. This can only come from a politically courageous decision by Prime Minister Yasuhiro Nakasone to administer a substantial, but temporary, fiscal boost through higher public spending or tax cuts; this does not seem to be in the cards. The supplementary budget he is proposing falls sadly short of what is needed: Too much of it simply shifts existing spending plans from one place in the ledger to another — creative accounting that creates nothing real. Very little of it calls for the higher public borrowing that Japan, unlike most countries, needs because of its high private saving rate.

The real link between Japan's action, or nonaction, and the outcome of the U.S. elections is a dangerous one. The new Congress is going to be better placed than its predecessor was to pass protectionist legislation such as the Reagan administration so far has resisted. One way the rest of the world might head this danger off is by making important trade policy concessions to the United States, but this is unlikely as we move slowly into a new trade bargaining round under the General Agreement on Tariffs and Trade. The other way would be through clear action, visible to the most inward-looking congressman, to step up demand in the main surplus countries. Since both Japan and West Germany have for the moment ruled this out, the prospects for avoiding a more successful drive in Congress for trade restriction seem bleak.

There are broader reasons why bilateral dealing between Japan and America is suspect. It intensifies the danger of departing from the multilateral approach to economic problems that has so helped the world since World War II. It encourages the belief that the United States is trying to push other countries around, one by one, to its advantage without first tackling its own problems. This is, from America's viewpoint, a singularly poor moment to attempt such combat: Its economic predominance has shrunk.

But the world will suffer if other countries are as reluctant as Japan to enable the United States to bring its trade back into reasonable balance after the dollar's big devaluation. Not only will it be increasingly hard to prevent Congress from erecting trade barriers, but the next American president may be less adamant than Ronald Reagan in repelling the attack. Instead of negotiating small pacts on the Japanese-American model, governments should seek wider international strategies to ease existing problems and get the world economy moving again.

INTERNATIONAL HERALD TRIBUNE.

Murky Doings With Iran

There is still no clear statement from the U.S. government about the allegations of arms-for-hostages dealing first reported by Iran. So the picture drawn by Tehran continues to dominate people's view. It is a picture stunningly different from President Reagan's stated policy of trying to contain the war effort and the militant doctrine of an erratic, aggressive, revolutionary, terrorist regime. The Iranians say that the United States secretly accepted them as a negotiating partner and arranged arms deliveries in return for release of American hostages. The last U.S. initiative reported by Tehran was the September visit of Robert McFarlane, the former national security adviser.

U.S. officials have indicated that the operation was tightly held, mostly in the White House, to prevent leaks. But the tight hold may have meant that the executive departments, including the CIA, were not fully consulted. There are indications that the secretaries of state and defense opposed concessions of substance to a state 1) practicing terrorism, 2) invading a neighbor and 3) threatening its region. If the two cabinet departments did not get to register their judgments in a timely way, a gross lapse of policy-making procedure is evident.

It is further suggested in defense of the Iranian connection that it was working to help free hostages of old terrorism and perhaps to diminish sponsorship of new terrorism. Further, it was giving Washington access to "moderates" who might steer an enduringly strategic country back into the realm of reason in a post-Khomeini era.

It remains to be demonstrated, however, that the Iranians were not simply taking Mr. Reagan for a ride, arresting a new hostage for each one released and accepting arms without modifying revolutionary goals. The political murk in Iran, not to speak of the American record in operating there, does not impart confidence that there is a reliable moderate faction among the mullahs or that the United States can play effectively to it if there is.

The combination of Iran and American hostages discombobulates American presidents. Jimmy Carter finally went "Reagan," launching a military raid, and Ronald Reagan went "Carter," launching a diplomatic mission. Perhaps the Reagan initiative will turn out to be better conceived and executed. But it is not possible to tell without the facts. The president's responsibilities to the remaining hostages cannot long put off an accounting of this strange affair.

— THE WASHINGTON POST.

Filling In the Trade Void

"We can say it all in four words: The Democrats are back." That was Democratic Chairman Paul Kirk's summary of the election that restored his party's control of the Senate and preserved it in the House. His four words did not quite say it all. The election reflected voter dissatisfaction with Reagan economic policies, but the Democrats were passive beneficiaries; they offered no compelling vision. Nowhere is the void more embarrassing to the party, and dangerous to the country, than on trade.

The Democrats will have to work hard, quickly, to develop an alternative to the administration's free-market dogma and their own reflex to appease special interests. They no longer have a Republican Senate to hide behind. Efficient and inefficient industries alike suffered as the overvalued dollar made American products uncompetitive in world markets. The dollar's recent decline offers many businesses an opportunity to regain lost ground. But others are very unlikely to make it.

The clothing and shoe industries, for example, are victims of national prosperity, unable to compete because the value of American labor is so high. Big Steel has been smashed by a combination of falling demand and new technology that favors mills built in recent years. Farmers have been irreversibly damaged as the Third World becomes self-sufficient in food.

The administration has been cool to demands for protection, relenting only when Congress appeared likely to override the White House and trying to placate offended industries by railing against foreign protectionists. Stonewalling the protectionists makes sense in narrow economic terms. To shield some industries against foreign competition is to drag down national productivity and to provoke retaliation against American exporters. Protection blocks poor countries from climbing up the industrial ladder through the export of labor-intensive goods. And, as the administration points out, the number of jobs lost to imports in recent years is tiny compared with the number created by growth at home.

But the stonewall policy has been compromised for reasons of political health. The administration has been forced to make protectionist concessions costing American consumers billions of dollars.

All these arguments are sound — generally. But sound arguments are not much consolation to people who are losers specifically because of changing trade patterns, like the unemployed unlikely to find equivalent jobs, and communities with collapsing tax bases. Their specific anger packs much more political punch than the generalized satisfaction that all consumers derive from cheaper clothes or cars.

The test is to find a challenging middle course. The outlines of such a course seem clear: Defend open trade as good for the majority, while accepting federal responsibility for softening the blow to the losers.

At home, this would mean extended unemployment benefits, moving allowances, an effective national employment service and the first serious commitment to job retraining. Abroad, it should focus on settling the Third World debt crisis that has cut the foreign demand for American exports by tens of billions a year.

Such ideas will not be greeted enthusiastically. Unions, which cannot benefit as institutions, dismissed trade-displacement assistance in the 1970s as "burial insurance." They blocked efforts to refine delivery of benefits and later stood by as Reagan budget-cutters dismantled the system.

But let the Democrats consider the alternative — building walls around declining industries and throwing more taxpayer money at farmers hurt by foreign competition. That would reaffirm the party's recent image as hardly more than an interest-group coalition lacking any vision of the national interest. The Democrats have good cause to toast their victories. They also have cause for sobriety about the task ahead.

— THE NEW YORK TIMES.

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OPINION

The Occupied Lands: Shamir's Top Problem

By Abba Eban

The writer, former foreign minister of Israel, is chairman of the Knesset's Foreign Affairs and Defense Committee. This is the first of two articles.

JERUSALEM — The most acute and urgent problem facing the new government established last month in Israel will be the populations and territories in the West Bank and Gaza. If Israel were able to disengage safely from the task of ruling the 1.3 million Palestinians in these territories, it would not only be making a concession to the Palestinian people, it would also be serving its own values and interests.

We may be approaching a point at which the burden of this rule will weigh more painfully on Israel than on the Palestinians under its rule. Last month, Shimon Peres, who was then prime minister, noted that if there were no peace settlement in the coming decade, a future prime minister "would have to renounce territories in the West Bank and Gaza unilaterally in order to avoid ruling the Arab population."

Diplomacy is not theology. It does not promise salvation. If a change in the existing situation is useful to one side alone, it is not likely that negotiation will succeed. But surely it is now clear that we are no longer in a zero-sum situation in which a gain for one party is inevitably a loss for the other. That is why Shimon Peres's urgent pursuit of a negotiation with the Jordanians and Palestinians is not only a quest for image, it is meant in earnest.

The idea of annexing the territories virtually disappeared from official Israeli doctrine in the past two years. The Labor Party unanimously resolved in 1984 and 1986 that permanent Israeli rule over the entire area of Judea, Samaria and Gaza would contradict the Zionist character of the state, undermine its moral and democratic foundations and thwart any hope of peace in the future.

In the elections of June 1984, one million Israelis voted for explicit anti-annexationist platforms. In September 1984, all previous commitments to ultimate Israeli sovereignty in the West Bank and Gaza were expunged from the coalition agreement. And on March 7, 1986, the Knesset overwhelmingly rejected a motion to apply Israeli law to Judea, Samaria and Gaza. Only eight of the 120 members of the parliament supported the annexationist motion.

Although slogans about the indivisibility of biblical Israel still resound in ministerial orations, both major parties are committed to the Camp David agreement. This is the most renunciatory document ever signed by an Israeli leader with reference to the Land of Israel. It rejects annexation and gives the elected representatives of the Arab inhabitants the decisive voice in determining the permanent status of the West Bank and Gaza. It also requires the withdrawal of the Israeli military and civil administration and insists that any agreement should satisfy the legitimate rights of the Palestinian people.

It is beyond the power of the English language to reconcile the Camp David text with the imposition of permanent Israeli rule on the West Bank and Gaza. Prime Minister Yitzhak Shamir's recent declaration of fidelity to the Camp David accord is juridically more binding than any of his party's slogans about an indivisible Land of Israel. As in most countries, rhetoric here is one thing and policy is another. Foreign opinion greatly exaggerates Israeli devotion to the idea of permanent rule of the territories captured in 1967.

Nor are the settlements established in the West Bank and Gaza as complex a problem as the media sometime suggest. After nearly two decades of absolute Israeli rule, the *Office of Statistics* reports, there are fewer than 50,000 Israelis in the West Bank and Gaza. The Arab population is 1.3 million. This means that less than 2 percent of Israeli Jews have settled in Judea, Samaria and Gaza, where they form less than 4 percent of the total population. Clearly, there is no great magnetism at work on Israeli emotions or the sentiments of diaspora Jewry sufficient to make them change the demographic conditions in the territories.

The idea that Israel's security requires permanent rule over Arab population centers has also taken hard blows in recent months. Security can be ensured in a peace settlement with a Jordanian-Palestinian state by demilitarization of the West Bank, selective boundary changes in important areas and, above all, by deterrent power. It is instructive that when Israeli Army commanders and heads of military intelligence enter politics, most of them join parties with anti-annexationist platforms. Generals Yadin, Allon, Dayan, Tsur, Rabin, Bar-Lev, Gur, Herzog, Yariv, Amit, Weizmann and Lahat are cases in point.

The New York Times.

'The Great Satan' Remains Just That for Many in Iran

By Shaul Bakhash

FAIRFAX, Virginia — The Iranian government, facing grave difficulties at home, has had obvious reasons to seek a deal — but a strictly limited one — with the United States.

The recent visit to Tehran by Robert McFarlane, the former national security adviser, is hardly the harbinger of more extensive relations between Tehran and Washington. The excitement generated by the visit notwithstanding, there remain powerful domestic constraints in Iran against any substantial accommodation with "the Great Satan."

The regime, it is true, has been seeking both to shed its reputation for supporting terrorism and to mend fences with a number of foreign states. Iran is in the grip of the most serious economic crisis it has faced since the overthrow of the monarchy in 1979. The drop, this year, in world oil demand and price has virtually halved the $12 billion Iran earned from oil in 1985.

The government has had to cut its budget severely. Factories have gone on short shifts and even shut down for lack of imported spare parts and raw materials. Basic food items have long been rationed. Gasoline rationing was introduced recently.

Iran also has been unable to secure all the arms it needs for its war with Iraq. Baghdad's generally inept military has in recent months succeeded in inflicting serious damage on oil exporting facilities, refineries and industrial plants. Deteriorating economic conditions and a seemingly endless war feed public dissatisfaction. Deep divisions have developed among the Ayatollah Ruhollah Khomeini's close aides on economic policy, the prosecution of the war and relations with the major powers.

These internal difficulties explain recent Iranian moves to repair relations with France, the Soviet Union and Saudi Arabia. Tehran also has given up trying to subvert the smaller regimes in the Gulf.

But such signs of incipient moderation do not sit well with radical factions in the ruling coalition. Two years ago, Ayatollah Khomeini himself had to step in to silence criticism of Iranian officials who had begun to visit foreign countries. The sensational arrest last month of Mehdi Hashemi, the head of the Revolutionary Guards unit responsible for supporting liberation movements abroad, must be seen as another attempt by the government to establish control over the direction of foreign policy. The organization has played a central role in extending Iranian influence in Lebanon. But its recent trouble with the authorities points to the immense difficulty of any real reorientation.

True, moderates in the government were able to persuade Ayatollah Khomeini to pursue a deal with the United States: Iran apparently helped to secure the release of an American hostage in Lebanon in exchange for access to U.S. arms. A simple arms-for-hostages deal was acceptable to the powerful radical factions in Tehran. But any more substantial relationship with Washington would not be. It would be resisted by the Revolutionary Guards and by radicals in the ruling coalition. And a conciliatory policy toward the United States would be awkward to sell to a public that, for the last seven years, has been fed an intense diet of anti-U.S. propaganda.

Then there is Ayatollah Khomeini himself. He is highly suspicious of the United States, and he has invested considerable capital in this enmity. He leads an Islamic awakening that is founded, at least in part, on opposition to America, and he is unlikely to shift gears overnight.

These factors might explain why any proposed deal with Washington began to unravel once the McFarlane visit became public. It would also explain the contempt with which Iranian officials referred to the visit.

It has been evident for some time that some Iranian officials favor a more moderate foreign policy and a winding down of the war with Iraq. They might even favor more than a limited arms deal with America. But these men have not yet won over their radical colleagues, and they have not won over Ayatollah Khomeini.

The writer is a professor of history at George Mason University. He contributed this to The New York Times.

Mr. Laurel and Mr. Enrile talk things over with Mrs. Aquino

Time Is Running Short For the Tropical Forests

By Roger D. Stone

WASHINGTON — Many Americans feel that saving the world's tropical forests warrants little serious concern. In Europe and the United States, they say, deforestation was the inevitable and desirable consequence of economic progress; why should it be any different in the largely underdeveloped nations where the world's tropical forests are found?

It *is* different. The rich soils and relative biological simplicity of the temperate world enhances forest conversion and eventual reforestation. But in tropical forest regions, soils tend to be poor. Life-supporting nutrients are stored not in soils but in the trees. Remove them and the whole fragile system collapses.

People and nature both lose when the tropical forest is clumsily invaded. Such forests supply the world with goods — hardwoods, rubber, fruits and nuts, drugs and medicines and fragrances and spices — that often cannot be raised in any but natural conditions. Harvesting beyond sustainable limits has already brought some of the tropical forests' best hardwoods — Brazilian rosewood for example — near extinction.

The tropical forest is also a biological warehouse. Estimates of the total number of species on the planet range up to 30 million, of which only 1.6 million have been identified. It is further estimated that tropical forests, while occupying only 7 percent of the Earth's surface, may contain half of all life forms. Thus, relatively few tropical forest species have been studied. Concerned biologists view the heedless squandering of the tropical forests' resources as a tragedy.

Similarly, we depend on a small group of plants — corn, rice, wheat — for a large part of our sustenance. From time to time, plant pathologists have found, the commonly used strains of these plants require genetic fortification from the wild to protect them from blight and disease. Since many such plants originated in tropical areas and only later were cultivated elsewhere, the primeval forests of the tropics represent a vast genetic storehouse of great potential value.

Left untouched, tropical forests also contribute to the stability of the world's climate. But when the forests are burned, the carbon released plays an important role in the buildup of atmospheric gases producing the "greenhouse effect," which is causing a warming trend on the planet. This could turn America's Corn Belt into a subtropical region. And the melting of polar ice could raise sea levels and lead to drastic losses of coastal land.

Unfortunately, the present defoliation, motivated by short-term economic benefit, probably will continue unless a revolution in public and official attitudes comes to the rescue at the 11th hour.

The writer is a conservation fellow at the World Wildlife Fund and author of a book about the Brazilian Amazon. He contributed this comment to The New York Times.

On Hungary and the Failed Soviet Empire

By William Pfaff

VIENNA — The second and decisive Soviet attack upon the Hungarian insurrection of 1956 began on Nov. 3. Its ruthlessness has since been taken as proof of the Soviet Union's determination to dominate Eastern Europe permanently.

It was an act of desperation, following an initial Soviet withdrawal and 10 days of indecision and attempt at compromise with a popular movement that had escaped the control of those trying to lead it. It was a grave political failure. That failure continues to pose a fundamental threat to international peace.

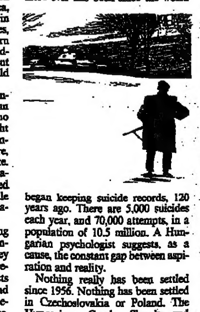
Compare the Soviet situation with that of earlier imperial powers. The Roman empire's language and institutions irrevocably changed Western civilization. Spain in Latin America, and Britain, France and Portugal in Asia, ruled sophisticated societies, yet gave them institutions of modern administration and law, and a modern political consciousness, without which contemporary history would not be what it is.

The contrary has been true in Hungary and the other East European states. The Soviet Union brought no advance of civilization. It brought unworkable ideas of command economy and collectivized agriculture, and the practices of the police state. The triumph of Janos Kadar, Hungary's leader, is that he has subverted the Soviet economic model in a subtle enough way to make Hungary relatively prosperous.

The Soviets brought no inspiring ideas, no advanced and civilizing institutions to Eastern Europe. They came by military power and remained by that. The Communists who took power in the late 1940s and early 1950s, like Mr. Kadar, had begun as idealists and revolutionaries, but were made into agents of Soviet occupation. Having promised a new advance in human society, fulfilling the promise of the Enlightenment "in the coming to power of the first government to be consciously based on rationalism" (as the British author and politician, John Strachey, has put it), the Soviets actually produced "an eclipse of human reason."

Even in the Soviet Union of Mikhail Gorbachev, what passes for liberalism and reform today is actually a promise — as yet, only a promise — to rectify the terrible and destructive practices of the past.

Hungarian society drew in upon itself after the revolution was crushed 30 years ago. People occupied themselves with ordinary things. The suicide rate became the highest in the world, tripling in the last 15 years — a higher national suicide rate than there ever has been since the world



began keeping suicide records, 120 years ago. There are 5,000 suicides each year, and 70,000 attempts, in a population of 10.5 million. A Hungarian psychologist suggests, as a cause, the constant gap between aspiration and reality.

Nothing really has been settled since 1956. Nothing has been settled in Czechoslovakia or Poland. The Hungarians, Czechs, Slovaks and Poles live as they do because the Soviet Union has demonstrated its inability to reform its system, or theirs, and, at the same time, its mortal fear of change.

How long can this go on? How enduring is the Soviet ability to rule by power alone? In every empire what goes first is power. The basis of power, and the willingness to use it, begin to fail, as they did for Rome after the 4th century A.D., for Spain in the 18th century, and for Britain and France after World War I.

What is left of the empire then, if anything, is language, religion, art, changed civic values, a standard of official conduct, reformed social and political institutions.

Latin America, India, Pakistan, Francophone Africa, even Indochina, would not be what they are today without the colonial experience. Eastern Europe, by contrast, would, if it could, expel every single evidence of Soviet presence.

Even now, high Communist officials, of a generation for whom school instruction in Russian was compulsory, will pretend before foreigners that they do not understand the Russian language.

In the West, virtually nothing has been done since 1956 to prepare a Europe from which Soviet power could safely be withdrawn. The problem is scarcely recognized. Statesmanship is supposed to consist in an intelligent collaboration with the inevitable. Nothing is more inevitable than that the situation in Eastern Europe eventually will end. Nothing could be more imprudent than to assume, as Washington usually does, that Soviet power is permanently and safely installed in these countries.

It is considered exotic or eccentric to raise the question of the future of Eastern Europe. Policy-makers' attention is concentrated on summit meetings and the control of nuclear weapons, when no one has the slightest thing to gain from nuclear war, and no reason to risk it. Eastern Europe, where national aspiration has been suppressed for 40 years, is ignored, and Soviet authority is without a civilizing legitimacy: People, living life as it is, may, as the saying goes, dream of revenge.

International Herald Tribune.
Los Angeles Times Syndicate.

The Error Fahd Would Not Forgive

By Jim Hoagland

PARIS — You need not dig deeply into geopolitical theory or ponder Gulf politics to understand why Sheikh Ahmed Zaki Yamani lost his job as Saudi Arabia's oil minister. He turned out to have been wrong; that was enough for his boss, King Fahd.

A year ago, Sheikh Yamani undertook an ambitious drive to regain control of oil marketing for OPEC and Saudi Arabia by abandoning the cartel's production quotas and putting as much Saudi oil on the market as customers would buy. The result was a spectacular price plunge that brought OPEC oil down from $30 a barrel to as low as $10 last summer.

Conventional economic wisdom dictated that such a plunge would change the world. It would exert irresistible pressure on high-cost non-OPEC producers like Britain and Norway to come to a deal on pricing or get out of the market. Moreover, cheap oil would stimulate global consumption and economic growth and, the Saudis hoped, get the West hooked again on growing oil imports.

We can now see that it did not turn out that way. While prices dropped 50 percent or more, consumption has increased only by 3 percent in 1986. The big boosts in growth of Western economies did not materialize. And in the North Sea, Texas and elsewhere, producers who supposedly would find their oil "uneconomic" to produce at $15 a barrel found they could eke out enough profit at $10 a barrel to continue producing anyway. It is likely that no more than 300,000 barrels a day of global production have been shut in as a result of price, almost all of it in the United States.

In short, the oil trade turned out to be far less "elastic" than the economists and Sheikh Yamani figured. He wound up proving that at low prices, oil is not much of a factor in today's global economy, which has already made structural adjustments to the end of the cheap oil era.

That was not a finding to warm the heart of King Fahd, who was already itching to put his own man in charge of the kingdom's only important resource, and who has seen oil revenue drop from $100 billion a year to an estimated $20 billion this year.

But the king and the rest of us should not ignore the fact that Sheikh Yamani turned out to have been wrong in the end because he was right at the start. It was he who fought for a producer-consumer compact in the early 1970s that would have tied small but steady increases in the price of oil for the rest of the century to economic advantages for the oil producers in Western economies.

The alternative, Sheikh Yamani predicted, would be wild fluctuations of price and supply that would alternately damage the economies of the industrial world and of the Organization of Petroleum Exporting Countries, and create chaos in marketing. The West and Japan, he warned his fellow oil exporters, would find ways to avoid using expensive oil.

Resistance from price hard-liners in OPEC and from the Nixon and Ford administrations stymied his effort and his darker predictions came true, forcing him into the last desperate gambit that failed. Indeed, it is possible that the effort to recapture market share was not Sheikh Yamani's idea, that he may have been forced into it by King Fahd and others on the Supreme Petroleum Council. But in the Saudi system, the oil minister bore the responsibility.

Because of his visibility, his country's vast reserves of oil and his own brilliance, Sheikh Yamani was the bridge from the ordered world run by the Seven Sisters — the American, Dutch and British companies that administered the oil business and much of the Middle East for four generations — to the chaotic, cutthroat situation of the 1980s.

King Fahd has ordered his new oil minister, Hisham Nazer, to get the price up to $18 a barrel, and for a few days last week that edict itself brought prices back up to the $15 range before they lost a dollar.

But the industrial countries, taking advantage of Sheikh Yamani's last bargain-basement sale, have built stocks up to three months' reserves and can sit out an average winter comfortably. Any real price increases will have to come from difficult decisions on sharp cuts in production.

At $15 a barrel, the price of oil stands near the midpoint of the cycles of its increases and decreases in this century, and seems to have found a natural balance for the months to come. Before mounting an all-out effort to challenge this short-term reality, King Fahd and his new advisers should look again at how slippery a slope the business of predicting the course of oil prices has become.

The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Flag Over Canton

HONG KONG — According to a despatch from Canton, the Republic has been declared there without fighting. The Republican flag was hoisted on forts, warships, customs houses, amid tremendous rejoicing. NANKING — Before the city gates were closed [on Nov. 9], all foreign women and children left. Fifty American men and several other foreigners remain in the city, which will be besieged by the rebels. Rebel reinforcements are arriving, but the loyalists are determined to resist. PEKING — The Chinese troops at Changchun and Tsitsikhar [in Manchuria] have mutinied, and the Government fears that this will precipitate complications with Russia and Japan. The French Consul at Mukden has telegraphed that the Viceroy of Manchuria has disappeared.

1936: A Mississippi Trial

JACKSON, Mississippi — The Mississippi Supreme Court [on Nov. 9] confirmed the death sentence passed on William Clark Mitchell, 53, one of the few Southern white men ever condemned to die for killing Negroes. The court fixed his execution for Dec. 11. Mitchell was to have been hanged last March 13, nearly four years after the date on which he was accused by the State of pouring paraffin over two bound Negroes and setting them on fire, but then he was reprieved in order that his case might be considered by the State's Supreme Court. Mitchell's brother-in-law, Arthur Cook, was charged as an accomplice in the crime on July 12, 1932, the morning after the crime. Without a witness being called, he was arraigned, pleaded guilty, and sentenced to life imprisonment.

OPINION

Conservatism Goes Haywire In Challenges to Textbooks

By George F. Will

WASHINGTON — A 1960s sensibility is slinking back into public life, this time in conservative judicial activism that is as pernicious as liberal activism. In the Tennessee textbook case, conservatives have invoked, as '60s radicals did, "sincerity" as a license for turning schools into arenas of conflict.

The decision is that parents' and pupils' First Amendment right to "free exercise" of religion is unconstitutionally "burdened" if pupils are exposed to instructional material distressingly at odds with their religious beliefs. The judge said a controlling fact must be the uncontested sincerity of the plaintiffs' beliefs, however peculiar, about Holt, Rinehart & Winston readers — readers used in 15,000 school districts.

The judge said: "The plaintiffs have sincerely held religious beliefs which are entitled to protection under the..." Hold it. Constitutional protection of belief? Protection from what? Literature? Science? The 20th century?

The free-exercise clause protects a broad sphere of conduct. But it is not a guarantee of intellectual spiritual serenity. Nor is it a commitment to protect parents and children from influences that might complicate the transmission of sectarian beliefs.

The Tennessee plaintiffs objected to "The Diary of Anne Frank" (Anne said having some religion was more important than having a particular religion), and "The Wizard of Oz" (it contains a good witch and implies that virtues can be acquired without God's help).

They objected to "Cinderella" (magic), "Macbeth" (witchcraft), Hans Christian Andersen (fortune telling), Greek and Roman mythology (idol worship), concepts of death contrary to biblical teaching, and all stimulation of children's imaginations "beyond the limitations of scriptural authority."

The Tennessee judge's understanding of the "free-exercise" right would empower elementary-school pupils to leave the room when the class comes to readings that threaten to cause distress.

The Supreme Court has held that the free-exercise guarantee was violated when a Jehovah's Witness was denied unemployment compensation after resigning from a firm rather than accept transfer to armaments work; or when a similar denial of a state benefit resulted because a Seventh-day Adventist quit a job rather than work on Saturday; or when a diploma was denied to a student who, on religious grounds, refused to attend state-required training with the Reserve Officers' Training Corps.

In these cases, state benefits were made contingent on conduct violative of a central religious tenet.

The Tennessee case was quite different. The plaintiffs were not seeking exemption from forbidden conduct but exemption from exposure to disturbing thoughts. In the cases the Supreme Court has decided, the religious persons only sought access to a state benefit. In Tennessee, the plaintiffs insisted that the benefit, education in this case, be tailored to their tastes.

Imagine the claims and counterclaims that will be litigated in every school district when word gets around that the "free-exercise" clause is a guarantee against state action discomfiting to sincerely held theistic notions. But surely elective participation in public education cannot be tailored to sectarian sensibilities without violating another clause of the First Amendment — the ban on any "establishment" of religion.

"Establishment" would be the clear consequence of state action to satisfy the plaintiff's insistence that their children not be exposed to ideas they consider contrary to scripture or "that might cause confusion" about religious beliefs.

Parents have a constitutional right to send children to private schools, even inferior ones, where they will be protected from serious literature and other disturbing influences. But chaos must result when parents are invested with a right to fine-tune their children's cooperation with a public-school curriculum. That is bound to be disruptive and is bound to exert pressure toward blandness, dumbness and falsehood in instruction. Pluralism depends on tolerance of diversity. And there is a social interest not only in pluralism but in commonality, in a shared grammar of the intellect.

That shared grammar must involve acquaintance with facets of history, science and literature that are problematic for certain religious mentalities.

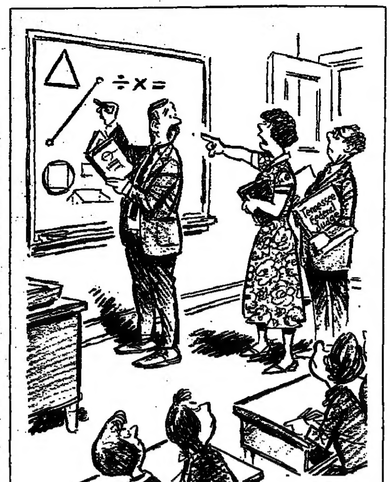
In his new novel, "Peckham's Marbles," Peter De Vries's protagonist confronts a religious obstacle to romance: "She was an Episcopalian, Peckham a Dadaist. But who could say that in this era of ecumenism the two denominations might not soon one day merge."

Not soon. Religious irritability is rising, and in the United States irritability begets litigation, and the Tennessee case shows how litigation can cause an exponential increase in irritability.

Worse may be coming. In an Alabama case, parents charge that texts do not do justice to the contributions of religion to U.S. history. This charge probably is well-founded. But imagine a ruling that the use of such texts abridges parents' "free-exercise" right, or establishes the "religion" of "secular humanism."

If a court holds that bad teaching is unconstitutional, conservative judicial activism will have produced a judicial supervision of American life that is far more intrusive than anything liberal activism has achieved.

Washington Post Writers Group



'That triangle suggests a trinity. That straight line doesn't explain the shortest distance to heaven. The equal sign suggests humanism. And why are you using a math book instead of a Bible?'

Dark Age of the Sweatshop Persists in U.S.

By Colman McCarthy

BROOKLYN, New York — To the unpracticed eye, nothing appeared out of order. The neighborhood along 8th Avenue, near the intersection of 42d Street and west of Bay Ridge, is a mix of Hispanic and Oriental working-class families that on this sunny Saturday had come to shop at the local stores.

A closer look revealed that this was a neighborhood of exploitation and suffering. Many of the stores were sweatshops. They carried no identification over the doorways and no markings on the windows. The garment-worker sweatshops of Brooklyn and Queens — of which there are hundreds — form a network of management greed that reincarnates America's industrial dark ages.

A store near 8th and 42d was typical. Crammed among shelves of coat hangers, bolts of linens and sewing machines, women worked the cloth into skirts, blouses and dresses. A foreman walked the aisles. At the entrance to the store — a narrow, low-ceilinged operation on the humid first floor of a tenement — were bundles of multicolored cloth. At the curb was a van packed with finished skirts. Soon it would leave for a distributor in Manhattan's garment district. From there, the skirts would be shipped to East Coast retail stores.

Sweatshop workers are paid well below the minimum wage and receive no benefits and no safety and health protection. They are pushed into these illegal operations through economic desperation. While bleak working conditions mean high turnover among employees, worsening economic conditions guarantee a deep labor pool. Help-wanted ads run regularly in New York's foreign language newspapers. Third World workers find their way into America's third-world worksites.

The garment industry, the most competitive of any U.S. manufacturing industry and among the least federally inspected, would be more abusive of its workers were it not for the International Ladies' Garment Workers Union.

One of its Brooklyn organizers is Luis Acevedo, 46, a Puerto Rican-born former garment-district shipping clerk and shop steward. Walking past rows of

MEANWHILE

sweatshops recently, Mr. Acevedo said that fear among unorganized workers was rampant: "One person doesn't trust the next person. He's afraid the other will go to the boss and tell him that this one is with the union.... Everyone is afraid in different ways. Some want to go back to their countries. Others want to hold on to what they have. They feel that if they are fired from here, they won't find another job. I tell them, jobs like this you can find around the block."

Or upstairs in the tenements. Sweatshops are exploitive enough, but now industrial homework has returned. Employers' profits increase when the sweating is done at home: The workers pay for their own equipment and its repair, for the electricity and other utilities, and for the transportation costs of picking up and returning the garments.

Jay Mazur, the president of the ILGWU, explains that "sweatshops and homework have always gone hand in hand. In a factory, no matter how exploitive, workers have some recourse. They may join together in collective action, they may look for the union organizer, they may call in the government inspector. But send the work home... and it is impossible for workers to join together in their own defense and it is impossible for the government to inspect for minimum wage, child labor or health and safety violations."

In August, the Labor Department announced that it would move against the 43-year-old ban on industrial homework. In 1943, the department found that in the seven industries it studied — including the garment industry, which now has 600,000 workers — the regulations of fair labor standards in industrial homework could not feasibly be imposed. Monitoring was impossible.

It is common for home workers to make even less than sweatshop workers. A blouse can be sewn in two hours and the worker paid $1 an hour. One of the Labor Department officials who pushed for unregulated homework was a former acting secretary, Ford B. Ford. His background is coal mining. As a federal official at the Mine Safety and Health Administration, he was a one-man mine shaft that bore into — and successfully weakened — protections for miners. Then, changing jobs, he inflicted similar betrayals on the garment workers.

Since the 1940s, the Labor Department has received appeals from managers and owners that the ban against industrial homework be lifted. Republican and Democratic administrations refused. Only the Reagan Labor Department has agreed, starting with proposals in the Federal Register in 1981.

The technologies and economic structure of sweatshops and industrial homework have not changed much since the 1940s. If anti-regulation ideologues and anti-labor forces have their way, the law itself will revert to the old darkness.

Washington Post Writers Group.

LETTERS TO THE EDITOR

A Rebuke for Britain's Social Democrats From the SPD

The opinion column by Shirley Williams, president of Britain's Social Democratic Party, caused some concern. (*"Don't Waste Reykjavik's Achievements," Oct. 27.*) It is a question of her party's taste when she criticizes the Labor Party's security policy abroad. But speaking about West Germany's Social Democrats, Mrs. Williams is as misguided as she is wrong.

In security, defense and arms control policy, the German party cannot be put into one basket with the Greens. German Social Democrats are also not at all "ambiguous about whether they accept the U.S. nuclear umbrella." On the contrary, the Social Democrats voted unanimously on the following resolution in their party convention in Nuremberg in August last year:

"The Federal Republic is politically and militarily embedded in the European Community and in the North Atlantic Treaty Organization. As long as the Soviet Union is a highly armed superpower in Europe, the Western Europeans need their link with the military counterweight of the United States."

And the German party went on to pass the following resolution concerning negotiations on intermediate- and short-range nuclear weapons:

"The defense nature of the alliances requires military structures that offer no inducement to carry out preventive or pre-emptive attacks. It is in the interests of the security of Europe to agree on the mutual withdrawal of intermediate- and short-range nuclear arms that could directly threaten the very existence of entire countries within a matter of minutes. The deployment of new intermediate- and short-range nuclear delivery systems in European countries has not made the strategic situation any more stable. The SPD urges the United States and the Soviet Union to remove these weapons."

With a view to realizing these goals, a Social Democratic federal government would open negotiations at the beginning of the new legislative term; the party would start a motion in the Bundestag for the reversal of the decision of Nov. 22, 1983, with a view to taking away the legitimacy lent by parliament under the conservative government to the deployment of these missiles.

After the disappointing experiences of the first round of negotiations in Geneva, the Social Democrats hope that the new negotiations will be extended to short-range weapons.

Mrs. Williams is right, however, when she writes that the Social Democrats want a new security policy. Americans also think about a new strategy for the alliance. President Ronald Reagan does nothing else when he wants to replace the doctrine of "mutual assured destruction" by "mutual assured security" through the Strategic Defense Initiative.

The German Social Democrats call the goal of mutual assured security "common security." It is better to attain this goal — not only for both superpowers but also for Europe — than to engage an arms race with every new weapon and system which, by their use, would destroy what has to be protected.

Mrs. Williams is also right that we should not waste Reykjavik's achievements. But if the SDI were the cornerstone for America's security and the roadblock for ours, America's European NATO partners would have to face critical decisions which are forced upon us.

We should not forget that the "precursor" to this strategic debate of the alliance during the transition from "massive retaliation" to "flexible response" led to NATO's Athens guidelines of 1962 with America's nuclear guarantees for Europe.

Instead of reading undue criticism I would prefer to learn more about the British Social Democrats' contribution to the conventional defense of Europe.

ERWIN HORN.
Chairman, Defense Caucus,
SPD Parliamentary Group.
Bonn.

Israel's Nuclear Might

In response to "Israel Is Said to Detain Atom Worker" (World Briefs, Oct. 27):

The alleged kidnapping in Europe of Mordechai Vanunu by Israeli agents in violation of international law and norms deserves more substantial coverage than it has been getting. This seems to be a continuation of the benign neglect that greeted the revelation that Israel has been developing nuclear weapons through many years. This is a country that has previously shown the willingness and ability to use indiscriminate military power. But this does not seem to disturb Western intelligence agencies or public opinion.

Under these circumstances, is it surprising to see desperate Palestinians and other Arabs resort to any means (most often ill-advised) in order to hurt Israeli and Western interests?

JACQUES HERSH.
Aalborg, Denmark.

General News

U.S. Plan Irritates Pakistan, Angers India

By Steven R. Weisman
New York Times Service

NEW DELHI — A preliminary decision by the United States to send early-warning radar planes to Pakistan has created irritations in Islamabad and outright anger in India.

The stormy reactions in both capitals have dismayed American officials and underscored the difficulty of Washington's attempt to be friendly with two countries that deeply distrust each other and have fought three wars since 1947.

Announcing the decision on the radar planes last month, Defense Secretary Caspar W. Weinberger said Pakistan needed an early-warning system "as quickly as possible" to defend against incursions by planes from Afghanistan.

Pakistani officials say that at least 650 incursions have taken place this year, more than double the number last year, and that Pakistani territory has routinely been bombed and strafed.

But in New Delhi, Prime Minister Rajiv Gandhi's government protested the announcement, arguing that the planes would improve Pakistan's ability to attack India. In Parliament this week, speaker after speaker denounced the United States.

K. Natwar Singh, minister of state for external affairs, asserted that supplying the system to Pakistan would "inevitably have an adverse effect" on Indian-American relations.

"India would not sit quietly; we would raise our voice over this move," Mr. Singh told Parliament, announcing that the U.S. ambassador, John Gunther Dean, had been called in to receive this message.

American officials sought to assure India by saying that any deal on the planes was in an "exploratory phase," but to little avail: Indian officials indicated that New Delhi was prepared to obtain comparable surveillance equipment from the Soviet Union, just as the United States was hoping to lessen India's dependence on Moscow for arms.

The American decision has rankled feelings in Pakistan for different reasons. In that country, officials have taken offense over the suggestion that American personnel might be needed to help operate the aircraft.

The planes being discussed are Airborne Warning and Control System planes, known as AWACS. These would in theory give Pakistan the ability to "look down" on Afghanistan and determine when jet fighters or bombers took off for Pakistani territory.

An early warning would then allow Pakistan to ward off the attacks with some of the 40 F-16 jet fighters the United States has sold Pakistan in the last six years.

A measure of Pakistani sensitivity was felt when government officials rejected a suggestion that American AWACS planes, manned by Americans, might be used to patrol Pakistani airspace as a preliminary measure.

The officials also rejected a suggestion that some AWACS planes now based in Saudi Arabia be used for this purpose.

Last week a Pakistani official emphasized that Islamabad was interested only in acquiring "indigenous national capability" to carry out air surveillance and did not want U.S. aircraft with U.S. crews.

American diplomats have made it clear that Washington's new sensitivity to Indian concerns was a factor in asking for an American presence on the planes. Thus Washington's attempt to please both countries appears to have angered both.

Ethnic Clashes in Karachi: Fears of Worse to Come

By Richard M. Weintraub
Washington Post Service

KARACHI — Clashes that left at least 40 persons dead last week have added another troubling strand to Pakistan's political fabric.

The battles in Karachi's slums between Pathans, sometimes armed with automatic weapons, and Urdu-speaking Muhajirs have left a residue that could explode into larger confrontations just when Pakistan is trying to demonstrate that its civilian government can control the country's political life.

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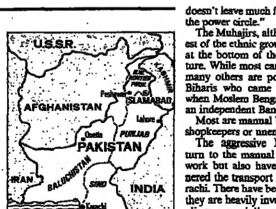


Copress

It was the first time that modern weapons were added to the usual arsenal of rocks, sticks, homemade pistols and gasoline bombs.

The use of the army to control the strife is the third time in three months that the military has been called upon to intervene in Sind province.

Pakistan's civil strife usually involves political parties or the differences between Sunni and Shiite Moslems.

There are relatively few clashes among the country's ethnic groups them because most of the groups are gathered in homogeneous provinces: Punjabis in the Punjab, Pathans in North-West Frontier, Baluchis in Baluchistan and Sindhis in Sind.

Politically this has often led to agitation in one province against the others or unrest in the three numerically smaller provinces against the populous and powerful Punjab. But outright ethnic clashes have been minimal.

Karachi is an exception to this ethnic homogeneity. This city of more than seven million is Pakistan's melting pot, albeit one with problems.

At independence, most of the 250,000 people who lived in the city, a sleepy port and tourist haven, were native Sindhis, who today make up about 15 percent of the population.

Then hundreds of thousands of refugees fleeing the violence of the partition of the Indian subcontinent poured into the city. Now called Muhajirs, they make up 45 percent of Karachi's inhabitants.

Next came the Pathans, who arrived with the political power that accompanied Ayub Khan's regime. Now swollen by recent arrivals because of the Afghan turmoil, they make up about 18 to 20 percent of the city.

Punjabis, following the rise of Punjab's influence during the recent martial-law regime, make up 15 percent, with the remainder scattered among a number of minority groups.

If there were an equal sharing of available resources, all this might not be such a volatile mix, according to an observer, who added, "But here the first rule is to take care of your own, and when the pie isn't very big to start with and shows no sign of growing, that doesn't leave much for those out of the power circle."

The Muhajirs, although the largest of the ethnic groups, are clearly at the bottom of the power structure. While most came in 1947-48, many others are poorly educated Biharis who came here in 1971, when Moslem Bengalis carved out an independent Bangladesh.

Most are manual laborers, small shopkeepers or unemployed.

The aggressive Pathans often turn to the manual labor of road work but also have virtually cornered the transport market in Karachi. There have been reports that they are heavily involved in smuggling, especially narcotics and weapons.

While the Muhajirs have built a recognizable political force in recent months to press for greater rights, it is the transport monopoly that led to the latest confrontation.

The Pathans' driving habits mirror their "wild west" frontier mentality and about 85 Karachi residents die each month on the city's roads, many of them as a result of Pathan recklessness behind the wheel of minibuses called "yellow devils."

When two drivers racing each other down a Karachi street were hit by a train a couple of weeks ago, 34 persons were killed, most of them Muhajirs. The Muhajirs exploded in anger, and Pathan enclaves were attacked across the city.

Then, a week ago, Muhajirs going to a political rally were attacked by men carrying automatic weapons as they passed through a predominantly Pathan area.

Israel Admits Detaining Nuclear Technician, but Denies Abducting Him

By Glenn Frankel
Washington Post Service

JERUSALEM — Israel acknowledged Sunday that it was holding Mordechai Vanunu, the former nuclear plant technician who disappeared from London after revealing details of what was said to be Israel's top secret nuclear bomb program to a British newspaper.

The government said press reports that Mr. Vanunu had been kidnapped on British soil were without foundation. It also said that he was being detained under a court order. The order was issued, it said, after a hearing attended by a lawyer that Mr. Vanunu chose.

The announcement denied British press reports that former Prime Minister Shimon Peres sought approval in September by Prime Minister Margaret Thatcher of Britain for a plan to abduct Mr. Vanunu and return him to Israel for trial.

The statement said that there was "no basis to the report that Mr. Peres contacted Mrs. Thatcher in order to inform her about something that never took place."

The statement did not divulge how Mr. Vanunu, 31, was returned to Israel, nor did it indicate where he was being held or whether, as press reports have indicated, he will face a treason trial for his revelations to The Sunday Times.

There was no indication why Israel chose to acknowledge Mr. Vanunu's detention. But the decision reportedly was made after a cabinet session Sunday at a meeting between Mr. Peres, who is now the foreign minister, Prime Minister Yitzhak Shamir and Defense Minister Yitzhak Rabin. The cabinet secretary, Elyakim Rubinstein, who read the statement to reporters, refused to answer questions.

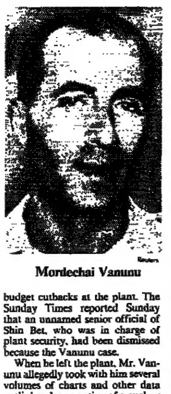
The government has been under pressure from the Israeli media to comment about the case and about charges of weak security at the top-secret nuclear reactor facility in Dimona.

Last week, the military censorship office allowed the local press to publish stories harshly attacking Mr. Vanunu. Those accounts depicted Mr. Vanunu as an unstable extrovert with a long history of leftist, pro-Palestinian activism both during his student days at Beersheba University and as an employee of Dimona for nearly 10 years.

He was laid off last year, not for security reasons but because of budget cutbacks at the plant. The Sunday Times reported Sunday that an unnamed senior official of Shin Bet, who was in charge of plant security, had been dismissed because the Vanunu case.

When he left the plant, Mr. Vanunu allegedly took with him several volumes of charts and other data outlining the operation of a nuclear bomb plant allegedly operating underground below the Dimona facility.

That information, and photographs Mr. Vanunu supplied of the plant, became the basis for an Oct. 5 report in The Sunday Times alleging that Israel had been secretly building nuclear warheads at Dimona for 20 years and had stockpiled 100 to 200 nuclear weapons.



Reuters

Mordechai Vanunu

On U.S. Campuses, Liberal Arts Make a Comeback

By Edward B. Fiske
New York Times Service

NEW YORK — Liberal arts are making a comeback on the American college campus after more than a decade of battering by business, engineering and other vocational fields of study.

At institutions ranging from the University of Massachusetts to Arizona State University, the number of students majoring in arts and sciences has begun to rise after falling precipitously in the late 1970s.

"The numbers are going up slowly," said James H. Bunn, vice provost at the State University of New York at Buffalo, where the number of new liberal arts majors jumped 15 percent from 1981 to 1985.

"The history of higher education," he said, "is a series of pendulum swings, and right now the arts and sciences are in the ascendancy."

Colleges also report that students in business and other vocational fields have begun adding more liberal arts courses to their programs and that dual majors in which students combine fields like accounting and psychology are on the increase.

Educators cite numerous reasons for the renewed interest in the liberal arts, among them better job prospects for arts and sciences graduates. Earlier this year the Northwestern Endicott Report, which surveys the hiring policies of companies across the country, reported a 20 percent increase in interest in liberal arts majors from 1984 to 1985.

"Corporate leaders have been complaining that they want a broader education from their employees," said Shirley Strum Kenney, the new president of Queens College of the City University of New York, in Flushing, who has organized a board of 12 corporate executives and faculty members to suggest ways of preparing liberal arts majors for the job market.

"This kind of education," she said, "helps prepare students for the communication and analytical aspects of business jobs."

Students' new interest in liberal arts includes some of the pragmatism that caused the earlier rush to vocational programs.

"I couldn't tell you how many real estate or computer science majors there are here who couldn't write a coherent paragraph if their life depended on it," said John Dietrich, a junior at Southern Methodist University, in Dallas, who is majoring in Spanish and political science. "The reason I'm after a liberal arts diploma is to have an edge on these people."

The shift in student interest from liberal arts to vocational and professional fields over the last 10 to 15 years is well documented. The federal Education Department has reported that the number of bachelor's degrees awarded in business more than doubled from 1971 to 1984, to 230,031 from 114,865, as degrees in English and literature plummeted to 24,419 from 57,026.

> **'Students aren't just coming back to the classics — they're desperate for them.'**
>
> *— Professor Edward Phinney, University of Massachusetts*

"When the economy tightened up, people looked for jobs that would earn a lot of money," said Joseph D. Duffey, chancellor of the University of Massachusetts, at Amherst. "Now, because the economy has loosened up and everyone's a little more relaxed, the pendulum is swinging back. With liberal arts, you get an education for life and learning, not just for getting a job."

The liberal arts revival is reflected in recently reported figures on applications and choices of majors. At Northwestern University in Illinois, for example, applications to the School of Arts and Sciences rose by 49 percent from 1984 to 1986, while overall applications, including those for engineering, education, music, journalism and speech studies, increased by 26 percent.

Closely related to the increase in liberal arts majors is the growing inclination of students in career-oriented programs to take more liberal arts electives. At the University of Florida, enrollments are up this year in languages, religion, English, history and art.

"Students are more willing to experiment than they were in the past," said Charles Mallary, an assistant dean there.

Edward Phinney, chairman of classics at the University of Massachusetts, said enrollment in his department was 612 this year, as against 524 in 1984. "Students aren't just coming back to the classics — they're desperate for them," he said.

"Their majors," he said, "don't tell them how to deal with personal goals, family relations or life in general. Parents have always fought with their children. Kings have always abused their subjects, and every Greek hero had to go through some type of agony. Students take comfort from knowing this."

Students also see a practical side to leavening engineering or other programs with liberal arts electives. "More than ever it's important to be flexible and get ready for new jobs," said E.J. Martell, director of career planning and placement at the State University of New York at Buffalo. "To train in one line of work is outdated."

For such reasons, a growing number of vocational students are moving toward dual majors. Susan Drucker, a student adviser at Queens College, said many accounting majors there were "terrified" of listing a single vocational major on their business school applications.

Some institutions now make dual majors mandatory for some students. The University of Miami requires education, communication and nursing students to take a second in either the College of Liberal Arts and Sciences or the School of Music.

"Nurses have to make many decisions, sometimes life or death, in the course of a day, and the broader-based knowledge behind that decision means a better decision," said Fran Keen, associate dean of the School of Nursing.

Other institutions have acted to strengthen liberal arts requirements generally. The University of Connecticut has a new core curriculum for all schools that emphasizes liberal arts.

Nakasone Tries to Soothe Beijing-Seoul Relations

United Press International

BEIJING — Prime Minister Yasuhiro Nakasone of Japan has offered to act as an intermediary in efforts to establish more contacts and better relations between China and South Korea, Japanese officials said Sunday.

Ending a two-day visit to China, Mr. Nakasone told the Communist Party leader, Hu Yaobang, that his trip would "further enhance the two countries' relations," the official Xinhua News Agency said.

Earlier, Mr. Nakasone said that he conveyed to Chinese leaders South Korea's "strong request" for increased trade and sports links with Beijing. China has no diplomatic relations with Seoul.

"To ease tension and maintain peace in northeast Asia, we will be pleased, if necessary, to play the role of a bridge, or go-between, between China and South Korea," Mr. Nakasone said.

Japanese sources said Mr. Nakasone made the offer in his meeting with Mr. Hu on Saturday. Mr. Hu did not reply, the sources said.

Mr. Nakasone said he also conveyed to Chinese leaders South Korea's wish that China take part in the 1988 Olympic Games in Seoul.

He said he told Mr. Hu that Chinese athletes received "great applause" when they entered the stadium at the Asian Games in Seoul in September.

Analysts see China's participation in the Asian Games as a sign of a slight thaw in Beijing's attitude toward South Korea.

Observers also note increasing unofficial trade links between the two countries. Seoul says its trade with China, mostly channeled through third countries, was worth $600 million to $1.4 billion last year.

Japanese sources said Mr. Nakasone told Mr. Hu that China should join the United States and the two Koreas for talks on easing tensions on the Korean peninsula.

China, whose friendship with North Korea is believed to be under increasing strain because of Pyongyang's growing ties with the Soviet Union, has supported talks between the other three parties.

Mr. Nakasone also met with Prime Minister Zhao Ziyang and with Deng Xiaoping.

HAMBURG: Party Rebuffed

(Continued from Page 1)

Democrats as they prepared for the national election campaign.

The party, which saw its share of the vote fall from 51.3 percent four years ago to a projected 41.4 percent, was apparently punished because of Hamburg's high level of unemployment and eroding industrial base.

The rout was also partly attributed to a scandal involving a trade union housing conglomerate known as Neue Heimat, which has its headquarters in Hamburg. The Social Democrats are closely linked to the unions, which sold the debt-ridden Neue Heimat concern for the token sum of one mark.

The dismal showing further eroded the credibility of the Social Democrats' proclaimed goal of attaining an absolute majority in the Bundestag in January. Most opinion polls put the party at about 40 percent of the national vote.

Johannes Rau, the Social Democrats' candidate in the the national election, has ruled out a coalition with the Greens to form a government in Bonn.

U.S. Activating Cruise Missile Bomber, Will Exceed Limits of SALT-2 Treaty

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The United States will exceed the limits of the 1979 strategic arms agreement early this week when a new cruise missile bomber becomes operational at Carswell Air Force Base in Fort Worth, Texas, government sources said Saturday.

The B-52 bomber is to be transferred from the air force Air Logistics Center in San Antonio, Texas, where it was overhauled and outfitted to carry cruise missiles. An air force official said the transfer would occur "at the beginning of the week."

Government sources say the United States will then be in violation of a key provision of the unratified 1979 treaty, which limits each side to no more than 1,320 missile warheads and bombers with cruise missile capability.

[White House and Pentagon officials described the report as premature. The officials said President Ronald Reagan would go through with his decision, announced in May, to break the limits of the accord but that the timing had not been decided, The Associated Press reported from Washington.

[A Pentagon spokesman, Robert B. Sims said the timetable cited by The Post was "premature." The White House spokesman, Larry Speakes, said he understood there would be no deployment until December.]

Some officials say the United States has been in technical violation of the pact since the bomber with the cruise missile attachments was moved outdoors three or four weeks ago. But other officials said the violation would occur after the plane was flown to Carswell.

Administration officials said that deployment of the additional cruise missile bomber was in keeping with Mr. Reagan's decision in May to stop respecting the treaty limits and to base strategic weapons decisions on "the nature and magnitude of the threat posed by Soviet strategic forces."

At the time, Mr. Reagan said his decision was based on "direct Soviet noncompliance" with the treaty, which has been respected by the Reagan administration even though it was never ratified by the Senate.

His decision aroused controversy, however, and last month the House and Senate wrote into a defense authorization bill a section saying that "it is in the national security interests of the United States to continue voluntary compliance with the central numerical sublimits of the SALT-2 treaty," such as the limit of 1,320 warheads and bombers, "as long as the Soviet Union complies with such sublimits."

Administration sources said last week that there was no evidence of Soviet noncompliance with the sublimit. But Mr. Reagan is determined to proceed as a means of signaling his unhappiness with Soviet military activities.

IRAN: U.S. on Defensive

(Continued from Page 1)

contacts with Iran over 18 months, affirming his opposition to dealing with terrorists for the release of hostages and saying the White House had told him not to say anything about the operation.

The White House, in turn, denied on Friday that it had instructed Mr. Shultz to remain silent. Saturday, however, a State Department official countered by saying the White House had sent written instructions limiting all comment on the subject.

It now appears that at the same time Mr. Shultz was assuring the Arabs about the American policy of trying to keep arms from Iran, American agents had worked out a deal to send U.S. arms to Iran on a Danish ship by way of an Israeli middleman. That deal is presumed to have led to the release a week ago of David P. Jacobsen, one of the American hostages in Lebanon.

The secret dealings with Iran also caused problems for the secretary of defense, Caspar W. Weinberger. On his recent trip around the world, he had raised the issue of the Gulf war in his discussion with Chinese leaders in Beijing, urging them to stop sending arms to Iran. "I wonder what the Chinese think now," a Pentagon aide said. "I don't know what to think myself."

State Department officials said Mr. Shultz and Mr. Weinberger urged Mr. Reagan early this year to close a secret channel to Iran that was opened in July 1985 by Robert C. McFarlane, who was Mr. Reagan's national security adviser until December 1985.

That channel, which had been opened at the suggestion of some Israeli businessmen with experience in Iran, had led to the secret shipment of American arms and spare parts to Iran, in exchange for which Tehran was to use its influence to win the release of American hostages held by a pro-Iranian group in Lebanon.

In July 1985 the Reverend Benjamin M. Weir, a Presbyterian minister, was released, and the White House interpreted this as directly attributable to the arms shipment to Iran through the Israelis.

According to administration officials, Mr. Shultz had argued that paying ransom, in effect, to Iran contradicted the American antiterrorism policy and undermined Washington's credibility in the Middle East and elsewhere.

Mr. Reagan agreed with the recommendation of Mr. Shultz and Mr. Weinberger and ordered the operation halted, the officials said.

In fact, on May 6 of this year, the United States issued a statement on terrorism that said, in part: "The United States government will make no concessions to terrorists. It will not pay ransoms, release prisoners, change its policies or agree to other acts that might encourage additional terrorism."

According to administration officials, Mr. Reagan was prevailed upon last June to change his mind by Vice Admiral John M. Poindexter, who replaced Mr. McFarlane as the national security adviser. Under a secret program, known only to the White House initially, arms shipments to Iran resumed in July. That led to the release that month of the Reverend Lawrence M. Jenco, a Roman Catholic priest, the officials said.

Illness Report Unimportant, Khomeini Says

The Associated Press

NICOSIA — Iran's spiritual leader, Ayatollah Ruhollah Khomeini, said Sunday that reports of his deteriorating health were unimportant and that the Iranian revolutionary government would continue after his death.

Ayatollah Khomeini in a speech carried on Tehran radio, said: "Every day there are rumors that this and that has happened, that so and so has had a heart attack, that so and so is on his death bed. So let it be."

"Of course death comes to everyone and to me too," he said. "They should know not to rejoice. This is something that happens and you will see that, God willing, the Islamic republic will remain, whether I stay."

There have been persistent reports in recent weeks that Ayatollah Khomeini suffered one or two heart attacks, setting off a power struggle within the Iranian leadership.

COSMOS: Sponge Theory

(Continued from Page 1)

concrete sponge," Mr. Gott said. "The point is that the inside and outside look the same."

To some theorists, the symmetry between clumps and voids is what gives sponge-like topology its appeal. They believe that the organization of galaxies began with chance submicroscopic fluctuations as the universe was born in the fireball of the Big Bang.

In effect, the modern universe "remembers" its earliest form. Fluctuations grow to larger and larger scales, amplified by gravity and always retaining something of their past.

To some theorists, however, the greatest strength of the sponge idea is not as a particular description of the universe's structure, but as a technique for using the new stream of data to distinguish among possibilities.

HOSTAGES: White House Bypassed CIA on Iran

(Continued from Page 1)

could apply sufficient pressure to secure the release of Americans held by the Islamic Jihad militants, who were demanding the release of guerrillas imprisoned in Kuwait.

In discussions over who should run the program, White House officials warned that the CIA would be legally required to tell the House and Senate intelligence committees about the operation, under congressional reforms adopted in the 1970s.

Some administration officials have been highly critical of what they contend is Congress's inability to keep a secret. White House officials believed that a clandestine plan to authorize shipment of arms to Iran would certainly be leaked to the news media because of congressional concern that such an operation would be perceived by U.S. allies as a hypocritical contradiction of Washington's public demand for an embargo on arms.

Consequently, sources said, the program was kept within the White House, with Mr. Casey in accord.

Israeli officials, who had maintained secret contacts with Iranian military and political figures, offered to open a negotiating channel for Washington. Mr. McFarlane and an assistant on the national security council staff, Lieutenant Colonel Oliver L. North, began meeting with Iranian officials in Europe and eventually Tehran.

The U.S. officials said they would not interfere with specific Israeli military shipments to Iran if those shipments led to release of American hostages. On Sept. 14, 1985, an unidentified cargo plane landed in Israel after flying out of Iran, according to news reports. That plane had carried military equipment, according to a source.

After shipments of military equipment resumed in mid-1986, an unmarked cargo plane was reported to have landed in Iran on July 4, according to members of the Iranian mujahadin opposition in the United States. On July 27, a second American hostage, the Reverend Lawrence M. Jenco, was released.

Iran's former president, Abolhassan Bani-Sadr, who now lives in Paris, said Wednesday on a U.S. television program that additional planeloads of military equipment arrived in Iran in August and September. On Nov. 2, a third American hostage, David P. Jacobsen, was released in Beirut.

Sources familiar with the program said Friday that some news accounts had exaggerated the amount of equipment Iran had received under the White House operation.

"There have been large arms shipments to Iran that were purchases from North Korea and China," a source said Friday.

He said the Iranians used the U.S.-Israeli channel to get "high priority" material that they could not get elsewhere. He said this included parts for its F-14 fighter aircraft, such as engine parts, landing gears, radar, electronics and "some ordnance."

EC: Curbs on Syria Expected

(Continued from Page 1)

that the EC would reach a common position on sanctions against Syria sought by Britain.

Diplomatic sources in the Middle East said on Saturday that most of Britain's European allies had agreed to stop arms sales to Syria and tighten controls on Syrian diplomats.

Foreign ministry officials from EC countries approved the package in meetings in Vienna Thursday and were expected to ratify it in London Monday, the sources said.

Mr. Hindawi's brother, Ahmed Nawaf Mansour Hasi, is to be tried Nov. 17 in West Berlin on charges of bombing the offices of an Arab-German friendship association. The attack March 29 injured seven Arabs.

The West German police say Mr. Hasi has admitted that the Syrian government helped in the bombing, which investigators say targeted alleged Arab backers of the Palestine Liberation Organization leader, Yasser Arafat, who is at odds with Syria.

Thai Train Accident Kills 7

Reuters

BANGKOK — A train pulling six locomotives from a repair depot crashed through barriers at the Bangkok central station because of brake failure Saturday, killing at least seven persons in the station.

A Monthly Report for the International Investor

International Herald Tribune

Monday, November 10, 1986

PERSONAL INVESTING

FOCUS

A U.S. Debate: No-Vote Shares

FOR more than half a century, shareholders of companies traded on the New York Stock Exchange have been guaranteed one vote in corporate policy for every common share they owned. Now, however, the Big Board is proposing to loosen its "one-share, one-vote" rule — and some powerful investors are howling.

Harrison Goldin, who, as New York City's comptroller, oversees public pension funds totaling $29 billion, condemned the proposal as "fundamentally destructive to the concept of public ownership." T. Boone Pickens, chairman of Mesa Petroleum and a celebrated corporate raider, has assailed it as "the ultimate in management entrenchment devices."

The Securities and Exchange Commission, aware of the fury, recently called for public hearings on the rule change. An SEC spokesperson said that two days of hearings would likely be held in December, but no precise date had been set.

Under the plan, approved by NYSE directors last July, a company could issue different classes of common stock with unequal voting rights so long as a majority of shareholders and independent directors approved. For example, a company might issue both "Class A" and "Class B" common, with the second holding greater voting power.

ALREADY, 22 NYSE-listed companies, including General Motors, have issued multiple-class common pending the outcome of the review. Some issued the stock as antitakeover devices while others have done so as part of acquisition tactics.

Whether the dual-common structure helps investors or hurts them is unclear. Even the NYSE admitted that it backed the plan "reluctantly." Big Board officials said the measure was mainly a competitive move to avoid losing listings to other exchanges that already allow dual-class common. The American Stock Exchange permits the stock under certain circumstances, while the over-the-counter market has no prohibitions at all.

The chief criticism of the proposal is that it would offer corporate managers a way to fight hostile takeovers at the expense of shareholders. Managers and other corporate insiders could issue non-voting shares in exchange for voting stock already outstanding, thus retaining control of their company without owning a majority of the shares.

"Although you might like management today, once you approve dual-class stock you have forfeited your chance to change management in the future," warned Jamie Heard, deputy director of the Washington-based Investor Responsibility Research Center.

Proponents of a dual-class system disagree. Shareholders of Coastal Corp. approved dual common in 1985 to keep the firm from being acquired itself while bidding for American Natural Resources. "In Coastal's case, it would have been a repudiation of shareholders' rights not to have allowed dual shares," asserted a company spokesman, Robert Wells.

HE explained that Coastal issued all shareholders some super-vote stock as a dividend. These shares were convertible into common, but not transferable to other parties. The acquisition of ANR was completed and since then, he said, the company's stock, allowing for splits, has appreciated 65 percent.

Some critics suspect that a company's stock price falls after adopting such antitakeover mechanisms. The office of the SEC's chief economist is studying whether this is true, and, according to a staffer, no conclusions have yet been reached.

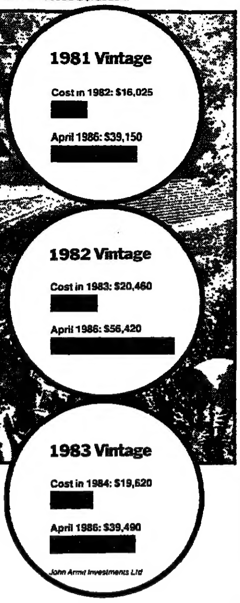
A University of Chicago Law School professor, Daniel Fischel, concluded in a study conducted for the National Association of Securities Dealers that there can be many "legitimate business reasons" for dual-class common, including the wish to keep control of a company within a family. Partly on the basis of that study, the NASD, which is the self-regulatory arm of the over-the-counter market, decided earlier this year to refrain from imposing restrictions.

Ultimately, experts say, the SEC will have to weigh the purported benefits of one-share, one-vote against the advantages derived from exchanges competing on "a level playing field." To David Carmen, executive director of the Pickens-founded United Shareholders Association, the answer is clear. "The basic tenant of shareholders' rights is one-share, one vote," he said. "If anything, the other exchanges should be bringing their standards up." □

Philip J. Roosevelt

BOUNTIFUL RETURNS ON BORDEAUX

Change in dollars on typical investment in 100 cases of classed Bordeaux.



AP Wide World

The Château Haut-Brion vineyards at harvest time.

Acquiring a Taste For Wine Investing

By Terry Trucco

London

WHEN John Armit talks about the model wine investor, his description sounds more like that of a careful portfolio manager — acquiring some vintages, selling others and reinvesting profits, always with an eye to market forces. It is hardly the casual pastime that one might imagine. Yet for Mr. Armit, who is president of John Armit Wine Investments Ltd., it is a strategy that pays off. Using such market savvy, he says that an investor who put £20,000 into top vintage 1970 Bordeaux 15 years ago now has a cellar worth more than £350,000.

Success stories like this have made wine investing high fashion in recent years, both with connoisseurs looking for a well-stocked cellar and with speculators eager for a fast buck. The statistics can be dazzling. A new record for an antique wine was reached last year at Christie's when Forbes Magazine paid £105,000 (about $148,000) for a bottle of Château Lafite 1787 believed to have first been ordered by Thomas Jefferson. A case of Hermitage La Chapelle 1961 fetched £1,700 at auction in March 1985.

In his new book "The Successful Investor," financial writer Robin Duthy's price index for vintage Bordeaux, made up of 25 top Bordeaux wines, stands 710 percent above its 1975 level. Even the downside can be fairly palatable. As one merchant observes, "If your investment is a disaster, at least you've got lots of wine to drink."

Although there is considerable concern about the health of the current market, wine investing remains an attractive vehicle for those who can afford to dabble in such an unconventional commodity. But investors must remember to take a different approach than a connoisseur. "There's a difference between buying something today because it will get more expensive and buying for investment," says Mr. Armit.

Indeed, a fine wine is not necessarily a fine investment. Despite the improved quality of wines in various regions around the world, Bordeaux generally is the only wine considered worthy of investment. It has an elaborate classification system, enjoys worldwide popularity and improves with age — features that make for a strong secondary market. By contrast, wines from California, Italy and Spain have very shallow resale markets.

There are narrow but growing secondary markets for other French wines, such as red and white Burgandy, and for Champagne and port. But each has drawbacks as an investment. Champagne does not improve with age. Port is not very popular outside Britain and United States. And when it comes to Burgandy, experts say, there are too many small growers making wine of indifferent quality. Those who do make an exceptional wine price it too high to attract a sufficient number of investors, they say.

Even when buying Bordeaux, investors must be choosy. There are about 7,000 châteaux in the region, but only a few produce investment-grade wine. Traditionally, "first growth" wines produced by the five top châteaux — Lafite, Latour, Margaux, Mouton-Rothschild and Haut-Brion — have insured quality and high returns. But these growers also turn out between 20,000 and 30,000 cases a year.

Some experts favor smaller châteaux that produce from 2,000 to 3,000 cases. Fourteen, including Château Certan De May and Château Lafleur, fall into this "second growth" category. Also receiving a great deal of attention are three other châteaux — Cheval Blanc, Ausone and Pétrus. "In addition to rarity value, the smaller châteaux can decide when to harvest, choosing the precise night when the grapes are right to pick" and harvesting them more quickly than can a larger operation, Mr. Armit says.

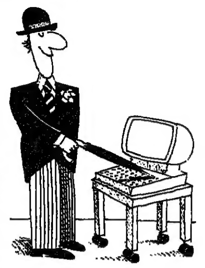
For an investor, the best time to buy a

Continued On Page 8

Reverberations Of Big Bang

The first two weeks engender caution among individuals.

By Peter Field



S. Redinger

London

IT HAS been only two weeks since Big Bang reverberated through the London Stock Exchange, yet change is apparent everywhere. Spreads between buying and selling prices have narrowed, trading volume is up and 80 percent of the dealing is going on off the exchange floor. Investors and traders alike are just beginning to discern the implications of this new way of doing business.

Still, chronic computer glitches have confused many observers, leaving even professionals still feeling their way around the new trading environment. It is clear that the sweeping deregulation that took place on Oct. 27 has done more than just eliminate the old distinction between brokers, who dealt directly with investors, and jobbers, who executed the trades on the market floor.

Baffled by the change, many individual investors are taking a cautious stance. Peter Harrison, a director of Phillips & Drew, says he has seen a number of private clients reduce their direct involvement in the market and turn instead to professional money managers on either an advisory or discretionary basis. As the problems are ironed out, the investor is bound to benefit from the increase in the amount of price information available and its almost instant dissemination to the investment community.

The new market's Stock Exchange Automated Quotation system, modeled after the computerized NASDAQ over-the-counter market in the United States, got off to a shaky start as demand for the price information service outstripped capacity. But it already has had an impact. "Prices are keener, despite the breakdown in communications," says Bryan Baughan, an executive of Hoare Govett.

Under the new system, stocks are grouped into four categories based on volume, and the amount of trading information varies accordingly on the SEAQ system. The 62 most active stocks fall into the alpha category. The next 500 are beta, while the least active are gamma and delta stocks. Foreign stocks are traded through SEAQ International, which has price information on 550 non-British issues, mainly South African and Australian stocks.

For alpha and beta stocks, market makers must display a firm "bid" and "offer," the buying and selling price, for a minimum of 1,000 shares. Trades in alpha stocks must be reported to SEAQ within five minutes so that details on transactions can be updated and displayed on the 8,000 computer screens scattered throughout the City. Information on beta stocks are published the following day.

Not surprisingly, there is little "real-time" information available on less active shares. For example, prices displayed for gamma stocks are only indicative. In theory, investors may want to shop around for a competitive price, but traders say that the gamma prices have been running very close to computer indications. And delta stocks, the least-active issues, are not even quoted on SEAQ. Instead, individual brokers are bringing buyers and sellers together.

The changes over the last couple of weeks go beyond mere technology, however. The market makers have taken over.

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UPDATE ON GOLD

The Eagle's High-Flying Premium

By Cynthia Catterson

New York

THREE weeks after the first gold coin to be minted by the United States in more than 50 years went on sale to the public, the U.S. Mint's presses at the West Point bullion depository still are laboring around the clock to keep up with demand. The initial batch of 558,00 ounces of Eagle coins sold out two days after they were introduced on Oct. 20, and the 151,000 ounces minted the second week were also gone within days.

"Ninety-nine percent of our calls in the last two weeks have been for the Eagle," says Alan Posnick, vice president of Manfra, Tordella & Brooke, a New York coin dealer. "I have no reason to believe next week is going to be any different." Adds Herman Strohmeyer, who is handling sales of the coin for Commerzbank International in Frankfurt, "It is the first American gold bullion coin and to the average citizen the coin is a novelty."

Despite the enthusiastic reception, experts suggest that this may not be the opportune time for investors to stock up on Eagle coins. The investment appeal of gold coins is largely determined by the premium that they can fetch above the value of their gold content. While a slightly higher premium is not an unusual occurrence for newly issued coins, the unprecedented demand for the Eagle has pushed its premium significantly beyond its market competitors.

At Merrill Lynch, one of the 25 authorized primary dealers for the Eagle, the original 4.5-percent premium placed on the 1 ounce coin has now increased to 6 percent in the United States and from 4.5 to 5 percent in Europe. In contrast, the premium on the Canadian Maple Leaf, which has replaced the South African

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The Associated Press

Donna Pope, director of the U.S. Mint, displays a pendant made from the American Eagle, the first U.S. gold in a half-century.

Big Bang: The Market Makers Take Over

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These essentially are broker-dealers who continually trade among themselves on behalf of clients or for their own accounts. Theory has it that competition will produce the best price and the best execution, but regardless of the outcome it clearly is a more freewheeling environment. Under the old system, jobbers established prices and executed trades only after receiving an order from a broker. Consequently, spreads were relatively wide.

There are 35 market makers registered with the exchange — a far cry from the half-a-dozen jobbers that dominated the market previously — and their presence already has been felt.

"There's no doubt that liquidity has increased absolutely enormously," said Richard Priestley, head of equity trading at Barclays de Zoete Wedd. Moreover, intra-day volatility is significantly higher as the market makers trade among themselves. Mr. Priestley estimates that half the activity represents dealing among market makers.

In general, the liquidity and, to a lesser extent, the volatility of a stock can be measured by the number of market makers that it attracts. Most market makers have clustered around the most appealing issues, the big capitalized stocks that draw most of the trading activity and big commissions.

For example, ICI has 21 market makers, more than any other stock quoted on the exchange. Barring news that affects the market, the sheer number of competing market makers holds down volatility and any one deal is unlikely to prompt large price movements. Last Thursday, the best bid for a block of 25,000 shares of ICI was £10.80 ($15.40). The best offer was £10.82.

Far fewer dealers care to make markets in small company stocks. Not only will investors have fewer sources to buy and sell their stocks, but some experts warn that these issues are likely to move dramatically on a single trade, especially if the trading volume is low. Indeed, the spread between the bid and offered prices generally is larger on such issues.

Such liquidity problems are not unusual in a market-making system where broker-dealers would rather not expend energy on shares that generate little interest. NASDAQ has suffered from similar crunches throughout its existence.

Class System For Shares

Alpha

The 60 or so most actively traded shares. Market makers, which number about 10, display prices on the Stock Exchange Automated Quotation system (SEAQ) at which they are bound to deal. Trading details are disseminated immediately.

Beta

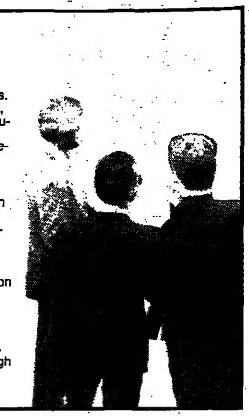
The second rank of 500 shares based on trading activity. Dealing prices are firm. Betas have four or more market makers.

Gamma

Still less active shares that will have at least two market makers. Many shares on the Unlisted Securities Market and the Third Market will fall into this category.

Delta

Seldomly traded shares that are not carried on SEAQ. Investors will trade through dealers who will match up buyers and sellers.



Most market makers have issued lists of the stocks that they are prepared to handle. So far, only a couple of big firms such as Phillips & Drew have attempted to cover all alpha and beta stocks. On average, the most actively traded stocks have 14 or 15 market makers, while beta stocks have 8 or 9. Not surprisingly, the smallest capitalized issues only have 4 or 5 market makers.

A market maker is obliged to give an investor the best available price on any stock whether or not that firm deals in the particular issue. Even if a dealer must acquire shares from another market maker, the client cannot be charged additional commissions.

The only instance in which an investor may face higher transaction costs is when dealing with a broker with no market making capacity. Even then, brokers who want to build up their private client base have negotiated arrangements with certain market makers who will minimize costs in exchange for their business.

It is trickier for institutional investors, who control about 70 percent of the market's capitalization. Most market makers give prices for up to 50,000 shares in alpha stocks, and a few offer a restricted list of some 25 stocks in which they will deal for £1 million. If an institution wants to deal in a larger size, a new price can be negotiated. If not, the market maker simply declines the order.

A number of brokers have expressed concern that if a market maker declines a large sell order, the broker-dealer could sell the stock short in anticipation that the seller will come into the market at some stage through another firm. When the share price weakens, short-sellers would profit. "If you talk directly to a market maker and he doesn't want to deal," says an asset manager, "you've got to go elsewhere and you've alerted the market."

A number of observers were predicting higher transaction costs for individual investors before Big Bang. There was some fear that deregulation would drive down commission costs for institutional investors, forcing brokers to raise fees for private clients. But while commissions on big trades by institutions have dropped by 40 percent — they now average 0.2 percent — costs have not risen for individual investors. "Most brokers have not changed the commission scales for private clients," observes David Cohen, a broker with Chase Manhattan Securities.

The standard 1.65 percent of pre-Big Bang days still applies, with reductions for large orders. Discount brokers are charging from 1 percent to 1.25 percent. Some firms are charging clients annual fees and no commission; others are applying a sliding fee scale that can be offset against commission charges.

Mr. Cohen of Chase says that individuals are finding it desirable to deal through their customary broker, trusting in the firm to get the best execution from a market maker as they did previously with a jobber. But firms acknowledge that many of their private clients are suspicious of the new trading system. And since price information is being recorded minute by minute, there has been a lot of room for argument about whether a broker did find the best deal possible.

Indeed, the concept of best execution is being treated with some skepticism in the investment community since individual deals depend so much on the size of the transaction and the price sensitivity of the stock. Says one trader, "Best endeavor is the principle we're working on." □

Secondary Markets in First Growth Wines

Continued From Page 7

wine is as soon as possible after it goes on the market. Statistics show that the earlier a wine is purchased, the higher the rate of return will be if it proves to be a good vintage. Most investors purchase wine futures — contracts that cover the purchase of wine for future delivery. The contract price is the price of the wine when it first is offered for sale by wine brokers, usually six months after the harvest and two years before it is ready to leave the winery cellar.

"You have to make your move at the opening gun," says Robert Parker Jr., publisher of The Wine Advocate, a Parkton, Maryland, newsletter that tracks the wine industry. In general, experts say that investors should acquire from 5 to 10 cases. Mr. Armit's clients are required to put up a minimum of $10,000.

Wine is made in September and October, but is undrinkable until the late winter because of fermentation. As a result, the pricing generally does not begin until January, after the châteaux have blended their best barrels and invited members of the trade to taste the new wine.

By March most of châteaux should have declared an "opening futures price," the base price. The timetable is never certain, however, since growers are notorious for looking over their shoulders at the competition's pricing. For example, some 1983 prices were not finalized until July of 1984.

Once prices are declared, wine brokers buy the wine in the barrel — *en primeur* — and then offer futures to their clients in the spring and early summer. At this point an investor must decide whether to buy even though most professionals have yet to evaluate the vintage. "You can't be faint-hearted," says Mr. Parker. "You have to jump in."

For the most part, the 1985 vintage has sold out, although prices dissuaded some investors from early purchases. As for 1986, there already is a great deal of speculation about the quality of the vintage. The 1986 crop is large and some venturesome experts say that it looks good. It is too early to tell how good. This year's long hot summer in the Bordeaux region was a boon, but mid-September storms diluted the grapes a bit.

Investors generally do not take delivery of the wine, leaving it with their merchant or the château until it is time to sell. Those who actually receive their wine must have a good — and usually costly — storage facility to insure that the wines mature properly and retain their quality.

Ideally, experts say that an investor should wait at least four years before selling an *en primeur* wine. But the rule sometimes bends. Investors who bought the 1982 vintage were selling it by the spring of 1985 as the pound declined on currency markets.

Most investors sell their wine through their merchant or at auction. Some have little choice. In most states in the United States, for example, it is illegal to sell wine without a license. But transaction costs can be high. Some experts reckon that costs related to buying and selling can eat up more than 20 percent of the return. The two big auction houses, Sotheby's and Christie's, take a 12.5-percent sales commission. By contrast, Mr. Armit charges 5 percent.

Investors should keep in mind that this is an uncertain time for the wine market. Prices remain high despite a generous supply and diminished demand due to the weak pound and dollar. Some experts say that the current market for Bordeaux is vulnerable. "There is simply a glut of fine wine," Mr. Parker says.

Sygma

Casks of Bordeaux at Château Mouton-Rothschild.

Prices rose with the fine 1981 vintage, gained significant ground with 1982's spectacular wines and soared again in 1983. But the market failed to correct itself in 1984 despite what experts consider a disastrous vintage in part because growers were reluctant to lower prices.

Last year's wine is considered good, but experts still believe that it was too pricey.

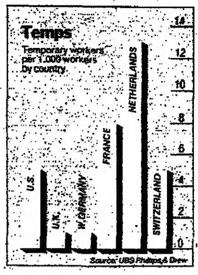
No one forsees the kind of price crash that hit the market in 1972. Top Bordeaux wines are more widely distributed now. The world economy is stronger. And wine watchers believe the potential for large-scale dumping is remote, thanks in part to a large number of small British wine investing companies launched within the last few years under a government tax shelter scheme. □

كاظمة، الاصل

Riding a New Wave in Labor Practices

Some firms in Europe find a bonanza in temporary help

By Lynne Curry



London

FOUR years ago, Blue Arrow PLC was a small, private employment agency in Britain with annual revenue of about £4.8 million ($6.8 million). By 1985, it was a publicly traded international company with revenue of £34.1 billion.

Tony Berry, the company's ebullient chairman and chief executive officer, has a simple explanation for the spectacular growth: "We identified a surge in the temporary employment business, we had a fairly aggressive acquisition policy, and we changed the way the company is run."

But Blue Arrow is not the only company to cash in on the temporary employment trend. Across Europe, a handful of similar companies have taken advantage of changing social trends and liberalized corporate employment practices. Buoyed by high growth rates, these companies have seen their share prices soar to lofty multiples of their annual earnings. Though some of these shares may now be overpriced, many analysts still see long-term gains for the companies.

"They are riding a boom in the industry that may not stop," says Roger Hardman, an analyst at James Capel & Co. Adds David Plants, an analyst at Morgan Stanley, "They can grow 15-20 percent. This kind of earnings growth is difficult to find nowadays, and these companies look like they are capable of producing it."

Besides Blue Arrow, investor interest in this sector has centered on Adia SA, a Swiss company that also has big U.S. presence, the French firm Ecco Travail Temporaire and Content Uitzenbureau in Holland. Their rapid growth followed the recession in the early 1980s, when companies laid off and dismissed permanent staff to keep costs down.

As the recovery came, agencies that provided temporary assistance were well placed to capitalize on the corporate reluctance to hire new permanent personnel. "If there is an upturn in demand and companies take on full-time labor, this can be a great problem if (the upswing) doesn't continue," notes Mr. Hardman of James Capel.

"Temps," ranging from secretarial staff and word-processor specialists to drivers, welders, and electrical engineers, have provided the greater flexibility many companies have sought, but without the overheads associated with permanent employees.

Managers in many European companies, some of them state-owned, now depend on a continuing stream of temporary workers to handle both basic clerical jobs and some fairly sophisticated duties. This strategy has been particularly attractive for companies in France and the Netherlands, where stringent labor legislation has made it difficult and expensive to lay off workers. European hiring and firing regulations generally are much tougher than those in the United States.

The rise in unemployment in recent years has also worked to the advantage of these agencies by changing the attitudes of workers. With permanent jobs in scarce supply, they are more willing to take part-time work rather than going without any work at all. In exchange for what is often better-than-average pay, "temps" forego the legal cushion, the pension schemes and other benefits protecting permanent employees. "If a job is there, people are often sacrificing the legal niceties in return for more money," says Mr. Hardman.

Changing demographics also played a role. With the entry of women into the workforce, more individuals are available for short-term employment and there is a greater pool of qualified workers to draw on. Temporary employment now constitutes an estimated 0.5 percent of total worldwide employment, but is expected to account for more than 1 percent over the next decade, according to Mr. Plants of Morgan Stanley.

As with all high-priced growth stocks, investors in these companies are taking on some risks. One issue dividing analysts is how these companies would fare should there be an economic downturn. Some believe that employment agencies would be the first to suffer, as corporations are likely to lay off temporary personnel before they fire permanent staff.

Others argue that while the agencies are not immune to an economic slowdown, in the initial phase of a recession, corporations hesitate to take on more permanent employees and will continue using "temps." In the second stage, companies will simply live with their existing employees and refrain from hiring anyone.

So far, though, economic conditions have encouraged vigorous expansion programs at most of these companies. Blue Arrow leaped into the front ranks of employment companies after its acquisitions of Brook Street Bureau PLC and the Reliance Service Bureau Ltd. in 1985, making it Britain's largest employment agency. Its profits are expected to rise from £2.2 million in 1985 to an £8.5 million in the fiscal year ending October 1986, according to Mr. Hardman.

Earnings per share were 14.9 pence in 1985 and are expected to be about 23 pence this year and 34 pence in 1987. At a current share price of about 380 pence, that hardly makes it a cheap stock. But the analysts note that Blue Arrow is growing at a faster rate than other companies in its field.

An aggressive acquisition policy in the United States, where it already has made two purchases, has attracted a lot of attention. By 1988, Blue Arrow's U.S. presence will outweigh its British operations, according to Mr. Berry. It is negotiating to acquire a large New York-based temporary help company.

Adia, the largest agency in Europe in terms of revenue, also has turned in an exceptional performance. A globally diversified company, the Swiss-based company is the majority shareholder of its U.S. affiliate, Adia Services Inc. The United States accounts for more than 40 percent of the company's sales.

THE price of Adia's Swiss bearer shares, which can be held by foreigners, has risen nearly 70 percent so far this year to about 7,600 Swiss francs ($4,418). Its earnings per share were 255 Swiss francs in 1985 and are expected to be an estimated 305 Swiss francs this year and 355 in 1987.

Like Blue Arrow, Adia's expansion plans convince many analysts that it remains an attractive growth stock even at such a high share price.

The French company Ecco Travail Temporaire has taken advantage of a recent relaxation in labor legislation concerning temporary personnel services and has diversified into banking and surveillance activities. Its share price has virtually doubled in 1986, to about 3,010 French francs ($446) at the end of October.

Ecco's shares are selling at a price-earnings multiple of about 21, based on projections for 1986, according to Melendes SA, a French stockbrokerage. Although it has outperformed the stock market in the last 18 months, analysts noted this is high compared with the average P-E of 15 to 16 for French stocks.

"All the good news of the company is already in the price," asserts Koenraad Foulon, deputy general manager of Amex Asset Management in Brussels. "It's a good return on your investment, but I wouldn't buy it now. I would wait for an opportunity and then step in."

With the strict labor laws in the Netherlands, Content Uitzenbureau has been able to capitalize on a growing corporate need for temporary personnel. It was floated earlier this year on the smaller Dutch "parallel" market that has fewer quotation restrictions than the larger main market.

Currently trading at about 36 guilders ($15.45), its earnings per share are projected at 2 guilders in fiscal 1986 and 2.5 guilders in 1987, according to ABN Bank in Amsterdam. Content is similarly seen as somewhat overpriced at the moment. The shares of this modestly sized company are selling at about 18 times earnings compared with an average P-E ratio of 12-13 in the Dutch market. □

Putting a Floor Under Risks

By Philip J. Roosevelt

New York

LAST May, an investor in Nashua, New Hampshire, hoping to cash in on reports of a takeover bid for Viacom International, bought a block of the company's stock for $72 a share. Instead, the stock dived within a day, recalls his broker, Georgeann Over of Shearson Lehman Brothers, trading as low as $65.

Fortunately for the investor, the shares were sold just hours after they were purchased. The investor and Ms. Over had agreed in advance to place a "stop-loss" order, instructing the New York Stock Exchange specialist handling Viacom to sell the shares if the price dropped to $68 or lower. The shares fetched $67.375.

"We had decided from the outset that we didn't want to take a significant loss," explained Ms. Over. "Without the stop, one of us would have had to sit there all day just watching the stock."

Professionals say that the stop-loss order can be a trusted friend for investors, not only for limiting the downside risk of speculative plays but for protecting paper profits in today's volatile, mature market. Some go so far as to say that you should place stops whenever possible, if only as a matter of self-discipline.

"It's not going to be perfect, but it will avert big disasters," says Robert Nurock, president of Investor's Analysis and editor of The Astute Investor, a widely followed newsletter.

'It's better not to tinker with the stop.'

You can place a stop order at price of your choice for any stock traded on a major exchange. There is no formal mechanism for handling stops in the over-the-counter market, but Mr. Nurock notes that some OTC brokers will attempt to carry out stop targets for their clients. Promises, however, are rare.

The chief danger of stops is that the stock may dip below the stop level only to rally again soon after, resulting in a missed opportunity for gains. So setting an appropriate stop price is critical.

Experts generally set stops anywhere from 10 to 15 percent below a stock's current market value. The exact level, they say, depends on the stock's volatility, with lower stops needed to accommodate more volatile issues.

As the stock rises, the stop should be adjusted upward, but care should be taken not raise it too far or too often. "It's better not to tinker with the stop — win, loose or draw," says Philip Waxelbaum, a vice president at Prudential-Bache Securities. "If you adhere to the discipline, it will work over the long run."

It is important to take into account the stock's past performance in setting a stop. Mr. Nurock, for example, often sets stops just below what he discerns as the stock's "typical low" from the past few months, reasoning that the stock is likely to rebound.

Martin Zweig, editor of The Zweig Forecast, another popular newsletter, also looks at price charts when setting a stop, often picking a point just below the stock's most recent low. But, he warns, "It's more an art than a science. I just try to set one that feels right, and sometimes I'm wrong."

Another caveat: exchange officials can cancel stop orders if they fear that a give stock may drop sharply. The most recent instance of this, according to a New York Stock Exchange spokesman, was last December when Pennzoil's lawsuit against Texaco prompted the exchange to cancel stop orders on both companies.

The American Stock Exchange accepts stop-loss orders on its stocks, but requires that you also place a limit order at the stop price. With a limit order, if the stock never trades at your exact stop level on the way down, the sale will not be triggered.

Still worse, you will be cashed out if the stock does hit the stop on a subsequent rebound, said Simon Krauthamer, an Amex assistant vice president.' He added, however, that the Amex has proposed to bring its rule in line with that of the NYSE, and expects approval in about two months from the Securities and Exchange Commission. □

UPDATE

The Eagle Commands A Soaring Premium

Continued From Page 7

Krugerrand as the top-selling coin in the world, is no more than 3.5 percent.

Premiums on smaller coins, which generally are more expensive relative to their gold content, are even steeper. Eagles containing a tenth, a quarter and a half ounce of gold — so far the most popular — are selling at a premium of from 5 percent to 30 percent above the value of their gold content in the United States. In Europe, the premium is as much as 15 percent.

"If someone has a strong interest in gold and wants the U.S. Eagle, they might consider buying a Maple Leaf now and then swapping it later on when the premium for Eagles come down," says Mr. Strohmeyer.

Mr. Posnick voices a similar view. "Investors should not be buying [the Eagle] right now unless they believe the short term price of gold is going to explode." *Since the Eagle's introduction the* price of gold has dropped by more than $17.75 an ounce to $408.50.

It is unclear what long-term effects the Eagle will have on the gold coin market. "We will continue to mint the Eagle coin as long as there is a demand," says Donna Pope, director of the U.S. Mint. But some experts do not see demand easing until after the new year since 1986 coins will have a certain historic appeal to collectors.

So far the only noticeable impact has been a decision by officials in Luxembourg to postpone plans to issue their Golden Lion coin until some time in 1987 after the publicity surrounding the Eagle has subsided. But two other new gold coins, the Australian Nugget and the Japanese Hirohito coin have begun to circulate in limited quantities.

Neal McGarity, marketing manager for metal products at Merrill Lynch, said that the only negative reaction felt by the the Maple Leaf so far is that "for the last month it has been on the back burner of people's mind."

Charles Uaeger, vice president for precious metals at Bank Leu Ltd. in Zurich agrees. "It's too early to determine how much of an impact the Eagle will have on the Maple Leaf's market share," he says. "It will have some effect, but the Eagle premiums have to become more competitive."

As for other gold bullion coins on the market, some observers believe that the Eagle may fill the gap left in the market when investors soured on the Krugerrand, which has been selling at virtually no premium.

"The interest of the private investor into the Krugerrand has diminished tremendously," Mr. Strohmeyer notes. "I'm convinced former Krugerrand investors will now buy the gold Eagle."

For those interested in an Eagle, but who do not want to pay the price and premiums of the gold coin, the U.S. Mint initiated the second phase of the Eagle program in San Francisco two weeks ago when they struck the first U.S. silver bullion coin, the Silver Eagle. It will go on sale Nov. 24.

The U.S. Mint expects the silver bullion coins to be as well received as their golden counterparts. Those dealing with the silver coin are equally as confident that there will be a Silver Eagle market niche.

"With the silver coins selling for less than $10, we will be able to meet another level of investors," Mr. Strohmeyer says. "People who are not prepared to meet the price of gold but want to invest in an Eagle coin can afford the price of silver." □

STRATEGY

Enthusiasm Wanes for ECU Paper

THE whole may not be bigger — or better — than the sum of its parts in the eyes of bond investors these days. After enjoying a wide following in the Euromarket in the first half of the year, the European currency unit has fallen on hard times as interest in new issues denominated in the European Community's composite currency has dropped off sharply since the summer.

In the last few months, borrowers have sharply curtailed use of the ECU. In the third quarter, the volume of new borrowing was 1 billion ECUs (about $990 million), its lowest level in two years, according to the Organization for Economic Cooperation and Development.

"A lot of customers are on the sidelines," says *Cees Byloos, manager* of the new issues department at Algemene Bank Nederland in Amsterdam. "People certainly aren't queuing up for ECUs."

Lower yields are partly to blame. As interest rates throughout the EC have dropped, the net effect has been to significantly lower coupons on ECU instruments even though rates remain relatively high in certain countries.

Brenden Brown, chief international economist at County Bank Ltd. in London, says that ECU bonds just are not attractive enough when compared with issues in other European currencies. Yields on 7-year ECU bonds, he says, have slipped below 8 percent.

By contrast, yields on Eurofranc bonds, which are becoming increasingly popular as the French government liberalizes capital markets, remain above 8 percent. "The main interest for ECU bonds is coming from Japan right now," Mr. Brown says. "Europeans are clearly unenthusiastic."

Concern about the health of the ECU is another factor dissuading investors. Although the ECU moved higher in tandem with European currencies as the dollar dropped on currency markets in the first half, its performance has lagged in recent months because of the sterling component. As a result, the currency diversification that ECU meant to investors is not as appealing as it once was.

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in October.

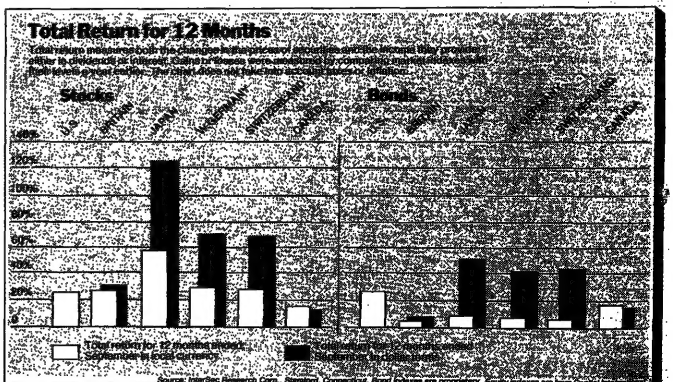
GAINERS	Percent Gain	Price Oct. 31	LOSERS	Percent Loss	Price Oct. 31
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars					
Transworld Corp.	65	41.50	Unitrode Corp.	26	10.88
Purolator Courier	62	26.75	MCorp	25	13.75
Hazletine Corp.	52	29.88	Jewelcor	24	12.00
Lear Siegler	52	85.75	Far West Financial	20	11.75
Planning Research Corp.	50	31.00	Electrospace Systems	17	14.75
Hayes-Albion Corp.	47	14.50	Compugraphic Corp.	16	18.63
Becor Western	44	14.75	Fairchild Industries	16	11.25
CPC International	43	83.13	Kysor Industrial	16	20.25
BankAmerica Corp.	43	15.50	Central Hudson G & E	15	31.25
American Bakeries Corp.	41	43.75	Sea Containers	15	14.25
American Stock Exchange:					
O'Brien Energy Systs.	129	19.50	Alfin Fragrances	31	15.88
Magnet Bank	82	14.13	Camco	22	12.50
Gull	36	13.63	Ionics	21	14.00
Lehigh Press	32	41.00	Excel Industries	19	11.63
Verit Industries	29	12.75	Hasbro	17	22.38
Over the Counter:					
Balchem Corp. Class B	101	17.38	Universal Health Svcs. B	39	10.00
Genicom Corp.	82	12.75	National Bancshares (Texas)	24	15.88
Bonneville Pacific	79	10.75	Mac Dermid	22	19.00
Interand Corp.	70	11.50	Certified Collateral	22	10.00
Powertec	53	15.25	REFAC Technology	21	11.25
London Stock Exchange: *Compiled by Morgan Stanley Capital International. Prices in pence.*					
British Com. Shipping	47	327	Electrocomponents	12	356
Mercury Int'l	32	370	Dawson International	10	217
Sears Holding	23	136	Dee Corporation	9	211
Harrisons & Crosfield	21	452	Hambros	8	218
Metal Box	20	190	Lex Services	7	292
Pilkington Brothers	20	517	Alfred McAlpine	6	364
Scottish & Newcastle	20	220	Lucas Industries	6	460
Britoil	20	144	Argyll Group	6	307
Kleinwort Benson	19	541	Costain Group	5	481
Hammerson Property	16	425	Redland	5	397
Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.					
Yokogawa Hokushin	29	1,300	Nippon Kokan	36	216
Kyushu Matsushita	28	3,130	Ishikawajima-Harima	33	421
Daifuku	25	765	Mitsubishi Heavy	32	435
Ricoh	25	955	Daiwa Securities	30	1,600
Matsushita Commun.	22	3,650	Kawasaki Steel	30	180
Fanuc	21	6,250	Mitsubishi Corp.	28	1,030
Kuraray	21	1,880	Mitsubishi Electric	27	436
Kureha Chemical	21	1,110	Seibu Railway	26	3,550
Tokyo Electric	20	1,190	Toshiba Corp.	26	614
Pioneer Electronic	20	2,220	Tokyu Corp.	26	1,010

Economists believe it is unlikely that the ECU will pick up its former momentum until the concern over weaker oil prices fades and takes pressure off the pound. Even then, Tim O'Dell, a currency forecaster with Phillips & Drew in London, sees long-term problems until Britain joins the European Monetary System.

Instead, investors looking for a strong currency have flocked to Deutsche-mark bonds. Although yields are just over 6 percent, Mr. Brown says they remain attractive for investors looking for capital appreciation. □

John Meehan

Total Return for 12 Months



Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

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BOURSES

Sizing Up a Bet on the Oil-Tanker Market

By Alex Barnum

New York

A LARGE map of the world dominates the Manhattan office of James S. Tisch, executive vice president of Loews Corp., the $6.7-billion entertainment and real estate conglomerate. On the map are seven yellow plastic markers bearing the names State, Paradise, Orpheum, Capitol, Paramount, Embassy and Grand.

American moviegoers probably would recognize the names of seven of the Loews chain's famous old theaters. But the markers actually represent the location of seven oil supertankers that Loews has acquired over the past three years and renamed after the theaters.

Under the stewardship of James Tisch's father, Laurence A. Tisch, whose wiley investing recently earned him a 25-percent stake in CBS Inc. and the job of acting chief executive officer, Loews entered the tanker business in the same way it got into hotels, entertainment, tobacco, insurance and watches. It bought just when everybody else seemed to be selling.

Now, Loews wants to sell a third of its oil tanker subsidiary, Majestic Shipping, to the public, cashing in on what analysts agree has been a handsome return.

The big question for potential investors in Majestic is whether these substantial returns will continue. Loews and its bankers promote the offer as an unusual way for investors to bet on the shipping industry, but the market has been wary. A lot depends on the outlook for oil prices and the volatile movement of freight rates.

A bout of stock market weakness already caused one postponement of the offer, in October. Investors were unwilling to pay the $17 to $20 a share that Loews wanted, and the company refused to let the price drop below $17 a share, as the offering's underwriters, Morgan Stanley & Co. and Merrill Lynch, had suggested, investment banking sources say.

Loews says that it still plans to proceed with the offer of 3 million shares — 700,000 of which will be sold in Europe — when market conditions are right.

"The investment community doesn't look supercritically at it because of who owns the assets," says Jeffrey B. Stone, shipping analyst for Wertheim & Co. "But I think the investment community is unwilling to pay the price, given the volatility and the current depressed condition in the near-term shipping market."

Few would argue that the shipping industry is free from major risks. Disastrous overbuilding of tankers accompanied the dramatic rise in freight rates in the early-1970s. Then came a collapse in demand for Gulf crude oil after the 1974 price rise, pushing the industry into a 13-year recession. The story since has been one of spectacular bankruptcies, record tanker scrappings and an increasing number of idle ships.

But there are signs of improvement. When the Tischs began buying tankers in 1983, "people in this industry did not have a shred of optimism left," said Peter Klopfer, a senior partner of LQM Associates Corp., the tanker brokerage that sold Loews its ships. Now, he said, "there are people begging to take those same ships off their hands for three times what they paid for them."

Even so, analysts are hardly united on whether the industry is headed for a full-scale recovery. "We saw the bottom last year," asserts Sally H. Smith, a shipping analyst with the brokerage firm of Alex. Brown & Sons Inc. in Baltimore. "It was the end of a 12-year down cycle and now we're on the way up, but the risk is you never go straight up or straight down."

The Majestic prospectus outlines the reasons for optimism about the industry. It argues that crude oil prices are bound to firm and there are signs that the number of surplus ships has dropped dramatically.

With that rationale, Loews reactivated three tankers in July and another in October and has since won contracts on the spot market, taking advantage of the surge in freight rates. The 315,700-ton Orpheum, for example, recently delivered a shipment to a port off the coast of Louisiana for $800,000 and two other tankers recently won contracts from Iran, company sources said.

Despite these signals, some analysts project that a full turnaround in the market will not occur until 1990 and that the market is likely to get worse before it gets better. Indeed, a substantial glut of capacity still exists. As of May 1986, according to Arthur McKenzie, director of the Tanker Advisory Center Inc., the supply of tankers was 258 million tons and the demand only totaled 183 million tons, producing a surplus of 75 million tons.

Mr. Klopfer sees a further shakeout if Gulf crude production remains where it is now or goes down. The weaker companies will have to scrap more ships in that case, he says. "Then the guy with the most money at the table is going to win, unless he bets totally irresponsibly," he adds.

Even with that scenario, boosters of Majestic argue that it has the profile of a likely survivor. Majestic bought its ships at average cost of $7 million, not much more than scrap value. In addition, the company plans to use a portion of the proceeds from the stock offering to cover operating costs and working capital and to erase the $15-million debt that it owes banks for the purchase of the Paramount and the costs of activating some laid-up vessels.

Stock prices of other publicly owned shipping companies that have weathered the industry's turbulence have done well in the last year. Stock prices for Overseas Shipholding Group Inc. have increased by 22.8 percent since December and those of OMI Corp., by 73.7 percent.

But both companies are much larger operations and are far more diversified. Overseas Shipholding, for example, has 78 vessels and only two of them are in the spot market. The 33-year-old company has a conservative strategy of relying primarily on less lucrative, long-term contracts, which, it says, has helped it survive the bad times.

The strongest criticism of Majestic comes from within the shipping industry. Several industry figures have derided Majestic as a company with no operating history and no intention of becoming a full-fledged shipping company.

BUT Loews has taken steps to deepen its operating team. In August, it acquired the tanker-market consulting firm of Martingale Inc. and appointed its two partners, John W. Devanney III, 46, as president, and Michael B. Kennedy, 32, as vice president of the new venture.

Loews also has contracted with an affiliate of Papachristidis Ltd., a 40-year-old ship-management firm, to pilot its active vessels.

Even with this management expertise in place, some analysts still regard Majestic as more of an investment company specializing in tankers than as an operating concern with a long-term future. The expectation is that the Tischs will liquidate the company when they perceive that the tanker market is near peak. "I think a prudent investor would assume that the company would be wound up after four or five years, presumably at the height in the cycle," says Mr. Stone.

If Majestic goes to market at $20 a share, though, investors will be paying a hefty premium over the tankers' value. A $20-a-share offer would place the value of each tanker at about $19.3 million. The value of the tankers, including two ships it plans to acquire with the proceeds, was put at $12.3 million each in August.

The prospectus says the offering was priced at between $17 and $20 based on market conditions, prospects for earnings and the stock prices of similar conditions. □

FUNDS

Small, Agile Funds Taking Big Risks

By Karen Polk

New York

AN aggressive and highly speculative strategy may seem inappropriate given the current uncertainty surrounding the stock market. But for a number of new funds that came on stream before the third-quarter correction shook up investors, the high-risk style has paid off.

To some extent these funds have been helped by their size — the biggest is only $55 million — and most managers agree that their ability to skip in and out of the markets quickly is a benefit.

But equally important is the aggressive style of the managers. Some may turn over their portfolios 200 percent or more in a year and are not afraid to go to high percentages of cash to protect their advances when the market goes soft.

The emphasis is on capital appreciation and the eye is for small companies, initial public offerings and over-the-counter stocks where analysts see a hidden potential for growth.

"We want to be in the top 10 percent of funds even when the market is in the tank," says Keith Hartstein, mutual fund sales director for Equitec Siebel in Oakland, California, which launched its Aggressive Fund last March. As of Oct. 30, the $13-million fund showed a total return of 31 percent, according to Lipper Analytical Services, which tracks fund performance. In the same period the Standard & Poor's 500 Index rose 7.4 percent.

It basically is a small company growth fund. Some of the smarter investments have been Home Shopping Network, which sells merchandise over the television, and Worlds of Wonder, a toy store chain. But when the market fell apart last summer, the fund sought safety in big capitalization stocks such as American Express, Eastman Kodak and Lorimar-Telepictures.

Some portfolios may turn over by 200 percent.

The other key to its success, says Mr. Hartstein, is a willingness to get out of the market. At the height of the bull market in May, the Aggressive Fund was 88 percent invested, but the proportion slipped to 68 percent by the end of June. "We try to smooth out the ridges a little bit," he says. "We want to protect our gains and not give back anything when the market goes soft."

The plan for the near future is to emphasize consumer non-durables, turning back to small company growth stocks around the start of the new year, according to Mr. Hartstein. He expects the fund to turn over its portfolio completely in 1986, which he says puts the fund at the "conservative end" of the spectrum.

T. Rowe Price's Capital Appreciation Fund, which opened in June, takes a slightly different approach. The fund is broken down into two categories, their relative size depending on market conditions.

The fund's manager, Richard Fontaine, says that the "strategic" portion is generally made up of out-of-favor issues that he believes are positioned for steady upward growth. Schlumberger Ltd. and Halliburton Co. are typical. Despite the slump in the oil services industry, Mr. Fontaine is betting that these are "excellent long-term buys."

By contrast the "tactical" stocks are money makers that Mr. Fontaine will turn over for quick gains or cash when the market takes a downward turn. An example is Imagine Films, Ron Howard's motion picture production company.

Fontaine bought 25,000 shares at $8 each when it went public last July and turned around later that day and sold it for $17.50 a share. Stocks still among his tactical holdings include Merrill Lynch, Gerber Products and Eastman Kodak.

By splitting the portfolio Mr. Fontaine hopes to use the strategic portion to offset the aggressiveness of the tactical one, reducing the risk and volatility of the fund as a whole. The current portfolio is split almost evenly between the two.

Through the end of October the fund generated a return of 11.2 percent, according to Lipper Analytical Services. And during the tough third quarter, it showed a gain of 5 percent, compared with a decline of almost 7 percent for the S&P 500 index.

An innovative new fund is the Blanchard Strategic Growth Fund managed in New York by Michael Friedman, president of Sheffield Management Inc. The portfolio is divided into four sectors: U.S. stocks, foreign stocks, precious metals and fixed-income securities.

Each sector is directed by an out-of-house manager, and investments are shuffled among sectors by a fifth manager in New York. "There is nothing like it in the market today," says Mr. Friedman, who launched the fund on July 1.

Since it is a small fund of $30 million, investments can be moved quickly when necessary. With this "family of funds" says Mr. Friedman, "at least one sector will do well, whatever the economic conditions." At the end of October, the fund showed a return of 3.73 percent. In the same period, the S&P 500 index fell by 3.3 percent. □

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

Straight Bonds

U.S. Dollars

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
	AUSTRALIA						
$ 100	Australia	11¼	'90 Oct	105⅝	[illegible]		10.66
$ 60	Australia	8⅝	'91 Oct	103	7.98	7.41	8.50
$ 200	Australia	11	'95 May	114⅝	8.51		9.60
$ 300	Australia	11½	'95 Oct	118½	8.47		9.70
$ 100	Australia	11⅝	'98 Oct	115	9.47		10.11
$ 100	Australia	11¼	'00 May	114⅝	9.30		9.80
$ 25	Alcan Australia	8½	'89 Apr	100½	8.23		8.46
$ 60	Alcoa Of Australia	10	'89 Jun	101	9.50		9.90
$ 80	Alcoa Of Australia	11	'92 Jul	106⅛	9.51		10.35
$ 75	Australian Ind Dev Co	11	'89 Feb	106⅛	7.57		10.30
$ 35	Austroswiss	8	'87 Jul	99⅝	8.29	8.29	8.02
$ 30	Broken Hill Pty	8⅝	'89 Apr	100¼	8.09	7.99	8.23
$ 100	Commerzbank Finance	13½	'89 Oct	106⅝	10.55		12.35
$ 100	Commerzbank Finance	11½	'90 Jan	110	7.83		10.45
$ 100	Commerzbank Finance	11	'93 Mar	109⅝	8.23		10.02
$ 100	Commerzbank Intl X/w	7	'88 Jan	100⅝	6.45		6.95
$ 50	Degussa Intl Fin X/w	8¼	'93 May	102	7.83		8.09
$ 100	Deutsche Bank Finance	11⅝	'87 Oct	105	6.22		11.07
$ 200	Deutsche Bank Finance	14¼	'89 Aug	117⅝	7.22		12.17
$ 200	Deutsche Bank Finance	13½	'89 Sep	106⅝	10.62		12.66
$ 150	Deutsche Bank Finance	9¼	'96 Mar	102⅞	8.79		9.00
$ 110	Deutsche Bank Finance	8	'96 Jul	96	8.54		8.33
$ 100	Deutsche Bank Lux X/w	6¼	'91 May	91½	8.57		6.83
$ 110	Deutsche Siedlungs Bk	7½	'96 Apr	92⅛	8.64		8.09
$ 100	Dresdner Finance	11	'90 Apr	109	7.88		10.09
$ 100	Dresdner Finance	10½	'92 Oct	108⅝	8.46		9.78
$ 100	Hessische Landesbank	8	'96 Sep	99	8.15		8.08
$ 125	Hoechst Finance X/w	6⅛	'89 Jul	98	7.59		6.89
$ 100	Mercedes-Benz Credit	7½	'93 Aug	98⅝	7.73		7.59
$ 250	Siemens Western X/w	7⅛	'90 Mar	101½	7.27		7.64
$ 50	Thyssen Bg Finance	10⅝	'90 Mar	105	9.06		10.24
$ 70	Veba Intl Finance X/w	8	'93 Dec	100	7.99		8.00
$ 75	Nordic Investment Bk	10¼	'88 Feb	104½	6.42		9.81
$ 25	Nordic Investment Bk	8⅝	'88 May	99⅝	8.86		8.77
$ 75	Nordic Investment Bk	11¼	'90 Nov	104⅝	9.76		11.05
$ 100	Nordic Investment Bk	7	'91 Dec	99	7.24		7.07
$ 300	World Bank	14⅝	'87 May	104⅝	5.58		13.67
$ 300	World Bank	10⅝	'87 Jun	102⅝	6.26		10.02
$ 250	World Bank	15	'87 Aug	106⅝	5.34		14.05
$ 300	World Bank	13⅝	'87 Oct	106	6.19		12.50
$ 250	World Bank	15⅛	'88 Mar	111½	6.15		13.72

Amounts in millions.

cd: Canadian dollar.
dm: Deutsche mark.
ecu: European currency unit.
ff: French franc.
£: pound sterling.
nkr: Norwegian kroner.
p: pence.
Pp: private placement.
W/w: with warrants.
X/w: ex warrants.
y: yen.
Amounts in millions.
Interest paid free of tax except otherwise indicated.
Yields before tax and calculated per AIBD standard definition.
Convertibles:
Figure after name of issuer is number of shares into which one bond is convertible.
Conversion price of non-U.S.$ bonds adjusted at present foreign exchange rate.
Share yields before tax on indicated dividends.

(Continued on next left-hand page)

مكتامنا الأصل

EUROBONDS

Bad News Keeps Investors Waiting for Clearer Signals

By CARL GEWIRTZ
International Herald Tribune

PARIS — There was little cheer in the Eurobond market last week. Investors stayed away, waiting for a clearer outlook on currency and interest rates, while professionals, following the trend set in New York, were sellers. As far as the bond markets were concerned, last week's news was all disappointing: a stronger than expected rise in U.S. employment and the victory of the Democrats in the midterm congressional election.

Both are interpreted to mean that there will be no cut in U.S. interest rates in the immediate future.

In addition, there was great disappointment that the bond market rally that was expected to be triggered by Japan's reduction in its discount rate failed to materialize. Japanese participation in the Treasury's auction of $29 billion of securities last week was smaller than expected, and further soured the market.

Banks denied rumors they were bailing out of floating rate notes.

Some analysts suspect that the Japanese held back, hoping to pick up paper at more favorable terms in the secondary market.

The Eurobond market had a brief flurry of excitement when Alberta announced its first international offering of $500 million of five-year bonds priced at 100⅛ and bearing a coupon of 7⅝ percent.

The province's debt, rated double-A, was widely regarded as fairly priced at 81 basis points over the yield on U.S. Treasury notes and within hours was increased to $750 million. This made the offering the second largest fixed-rate finance ever issued, behind the $1 billion sold by Canada last February.

By week's end, the spread over the Treasury yield was held virtually constant, but the price had dropped to a 2-point discount in tandem with the drop in New York prices.

At the same time, Alberta sold $500 million of seven-year floating-rate notes with a coupon of 3⅛ basis points over the six-month London interbank offered rate. Here again the pricing was widely viewed as realistic, but the market was in no mood to buy FRNs.

THE FRN market was hit by a selling wave, worsening a trend that started late last month. Rumors abounded that certain underwriters were dumping their FRN holdings, but the banks said to be bailing out of the market stoutly denied it.

In any event, there was no doubting the selling pressure, which market participants said reflected widespread disillusion with recent issues marketed with below-Libor pricing. The recent trend has been to tie coupons to the London interbank bid rate, usually ⅛ point below Libor, and a handful of issues — Britain and Denmark — have even set coupons below Libid.

Such pricing is competitive with yields on Euro-commercial paper, a market aimed at nonbank institutional investors. But the bulk of the FRN purchasers continue to be banks, which require Libor-plus pricing.

It is apparent that nonbank demand for FRNs is not strong enough to support below-Libor pricing and the market is now adjusting to that reality. Still unclear is how much of a margin over Libor will be needed to keep banks buying the paper.

Alberta got good marks for trying, but in a week where no one wanted floating-rate paper, the timing was unfortunate.

That was true also for Citicorp's offering of $500 million of perpetual notes, the first from a U.S. bank. The coupon was set at ⅛ point over Libid, equivalent to ⅛ point over Libor.

As with all perpetual floaters, Citicorp must suspend payment of the coupon if it ever skips paying dividends on its common and preferred stock. But in that case it must pay arrears after dividend payments are resumed. This is the formula used by the British bank issuers of perpetuals and contrasts with the perpetuals issued by Canadian banks, where coupons are cut pro-rata with any cut in dividends.

Elsewhere in the fixed-coupon market, Crédit Agricole's $150 million of five-year notes were considered fairly priced. They were issued at 100½ with a coupon of 7¼ percent for a yield of 78 basis points over the Treasury yield at offering.

By contrast, Banca Commerciale Italiana's $100 million of five-year notes traded far outside the fees. The bank insisted on terms enabling it to swap the funds into floating-rate money at a cost of 20 basis points below Libor, but the offering terms at 92 basis points over the Treasury curve were considered too low.

A novelty in the Deutsche mark sector was Deutsche Bank's offering of 400 million DM of six-year bonds carrying two-year warrants to buy $2,500 at a fixed rate of 2.06 DM. This represents the first currency option offered in West Germany and is expected to appeal to institutional investors who normally would not be allowed to speculate in the options market.

Because the warrants will be listed, they are considered securi-

See BONDS, Page 15

Manila, Banks Disagree

Talks on Debt Break Down

By Susan F. Rasky
New York Times Service

NEW YORK — Talks between the Philippines and its commercial bank creditors on new repayment terms for $3.6 billion in debt have collapsed.

While the breakdown does not mean an immediate economic crisis for the Philippines, which has ample reserves to meet debt payments, it could not have come at a worse time for the government of President Corazon C. Aquino, which is facing political strain at home.

Philippine negotiators, who called a news conference Friday to announce their departure for Manila on Saturday, blamed the collapse on the "intransigence" of a single bank among the 12-bank committee that represents all of the Philippines bank creditors. They declined to identify the bank, but numerous sources participating in the two weeks of talks said it was Citibank.

"Every time a vote was taken or an issue brought to the table, one institution reserved their position or objected," said Jaime V. Ongpin, the Philippines finance minister. "While we expected to disagree on certain issues, we were confident these could be resolved in good faith. What we did not expect was that a single bank's intransigence could paralyze the entire advisory committee discussion process."

Sources involved in the negotiations said the talks broke down after Citibank reacted angrily to a suggestion by the Philippines that it receive the same loan repayment terms recently negotiated by Mexico. Although other banks on the advisory committee were eager to continue bargaining, the sources said, Citibank refused, arguing that economic conditions in the Philippines did not warrant terms as favorable as those Mexico received.

Citibank, which holds $1.8 billion in public and private Philippines debt, declined comment.

The Mexican loan agreement has

See DEBT, Page 15

John Freeman, The New York Times

Combines harvesting a Midwestern wheat crop.

In Kansas Plains, Grapes Join Grains

Farmers Plant New Crops in Bid to Avert Financial Ruin

By Charles Hillinger
Los Angeles Times Service

HALSTEAD, Kansas — "We are drowning in a sea of grain," said Robert G. Rizza as he walked through his vineyard on the outskirts of this tiny central Kansas town. "We have to do something different."

When Dr. Rizza, a physician, planted vines on 14 acres (5.6 hectares) in 1978, he was the first Kansan to grow grapes as a commercial crop since Prohibition killed the wine industry. Before the dry years, Kansas was one of the nation's 10 leading wine producing states.

Now, with grain fetching the lowest prices since 1972, many struggling Grain Belt farmers are looking at alternative crops, including grapes, to help stave off bankruptcy.

"This state will always be the breadbasket of America, with its great wheat, milo, soybean and corn production," said Ted Walter, a research agronomist at Kansas State University. "We think the potential is probably limited for alternative crops. But for many farmers, the alternative crops may mean the difference between keeping the farm or losing it."

In that spirit, five farmers in Sterling built a $500,000 cotton gin — the state's first ever — to process their secondary cotton crop. Charley Gilmore was the first to plant a few acres in cotton in 1978, which he expanded to 20 acres by 1980. Today, 18 farmers are growing cotton on 2,000 acres farther north than anywhere else in the United States and processing it in the two-year-old gin.

"I think cotton has a lot more potential than other alternative crops," Mr. Gilmore said.

As Jerry Zimmerman checked his 45 acres of cotton, slicing a knife through a boll to determine maturity, he mused: "You can see the handwriting on the wall. We're overproducing wheat and milo. Wheat can be grown everywhere in the world. Cotton can't.

"This might be a crop we can make some money on," Mr. Zimmerman said. Although prices are flat, cotton as a fiber follows a different market cycle than grain, he added.

Mr. Zimmerman recalled that when sorghum, or milo, was introduced in Kansas, some folks laughed, but it is now the No. 2 crop in Kansas — after wheat but ahead of soybeans and corn.

Kansas also bills itself as the Sunflower State. While a stalk of wheat graces the state license plates, highway numbers are displayed on signs shaped like a sunflower, which is the official state flower.

Not long ago, Ag Dynamics Co. began operating a $1.2-million plant to process confectionery sunflower seeds at Goodland, near the Colorado border. The plant's owners are two Californians — John Featherstone and David Ferguson.

"Confectionery sunflower seeds are growing in popularity as a snack item and as a condiment at salad bars," Mr. Featherstone explained. Kansas farmers have produced a small amount of sunflower seeds for oil, he said, but growing them for the snack market is new.

"Western Kansas is an ideal growing area for the crop," he said. "We have contracts with 71 grain farmers who are growing sunflowers as a secondary crop on 13,000 acres. Sunflowers fit well into their rotation program."

Among other hitherto-slighted commercial crops are vegetables, said Jim Greig, professor of horticulture at Kansas State.

"Today, many farmers are growing anything they can to make a buck and keep the farm," he said. "This year, a whole bunch of farmers planted pumpkins for the first time. They're growing watermelons and cantaloupe and experimenting with herbs, asparagus, broccoli and cauliflower. They're trying anything."

During the past five years, 27 farmers' markets have sprung up around the state, featuring Kansas-grown specialty crops.

Frank Morrison, a Kansas State horticultural professor, has been working with farmers for

See KANSAS, Page 17

Wickes Offers $1.16 Billion for Textiles Firm

By Pauline Yoshihashi
New York Times Service

LOS ANGELES — Wickes Cos., a diversified retail and manufacturing conglomerate, has agreed to acquire Collins & Aikman Corp., a manufacturer of industrial and automotive fabrics and specialty products, for $1.16 billion cash.

Wickes, which is based in Santa Monica, California, said Saturday that it would begin a tender offer on Monday of $54 a share for Collins & Aikman's approximately 21.8 million shares of common stock outstanding.

The boards of both companies agreed to the merger on Friday.

Sanford C. Sigoloff, chairman and chief executive of Wickes, said that New York-based Collins & Aikman would be a separate unit and that its senior management would be retained.

Wickes said Donald F. McCullough, Collins & Aikman's chairman and chief executive, would join the Wickes board.

Collins & Aikman's stock closed Friday on the New York Stock Exchange at $38, up $2.375.

Collins & Aikman is a leading manufacturer of decorative fabrics, floor coverings, wall coverings, yarn, fashion fabrics and textile bath accessories.

It reported net income of $66.4 million on revenues of $1.1 billion for the year ended last February.

Mr. Sigoloff said: "The acquisition of Collins & Aikman is an excellent fit, not only because of the added dimension that it brings to Wickes' home furnishings and automotive segments, but also because of the resulting synergy it provides with businesses within those segments."

Mr. Sigoloff has launched Wickes into an aggressive acquisition and expansion program since it emerged from reorganization under Chapter 11 bankruptcy proceedings in January 1985.

Wickes is selling much of its general retailing business, which accounted for about a quarter of the company's revenues last year.

Earlier this year, Wickes made an unsuccessful $2.1-billion offer for Owens-Corning Fiberglas Corp. and a $1.23-billion offer for National Gypsum Co. that later was rejected.

In July, Wickes raised $1.4 billion in a debenture offering, and used about $200 million of that to acquire two home-improvement and building materials units from W.R. Grace & Co.

In September 1985, Wickes bought the consumer and industrial products groups of Gulf & Western for about $1 billion.

Collins & Aikman's sales have nearly doubled since 1982, when it posted net earnings of $18.8 million on revenues of $66.9 million.

In the year ended Jan. 25, Wickes reported earnings of $76.1 million on revenues of $2.8 billion. Its stock closed unchanged at $4.50 Friday on the American Stock Exchange.

Lawson Ready To Raise Rates To Prop Pound

International Herald Tribune

LONDON — Britain is prepared to raise interest rates should the pound come under renewed downward pressure, the chancellor of the Exchequer, Nigel Lawson, said Sunday.

Mr. Lawson said repeatedly during an interview with the British Broadcasting Corp. that he did not want to see the pound drop any lower.

The pound has slipped recently. It weakened in London on Friday to close at $1.4275 after $1.4315 Thursday, but strengthened in New York to $1.4310 from $1.4270.

Asked whether he was prepared to raise rates to support the pound, Mr. Lawson said: "If there is pressure on sterling, that's how we've responded in the past and that's how we'll respond in the future."

U.S. Business Is Assailed As 'Bloated, Inefficient'

By Hobart Rowen
Washington Post Service

WASHINGTON — The deputy secretary of the Treasury, Richard G. Darman, has sharply criticized American business management, calling it "bloated, risk-averse, inefficient and unimaginative."

Mr. Darman, in a speech Friday, warned that populist resentment of the United States' inability to compete with Japan and other countries not only may trigger an attack on the business establishment, but also could set off a wave of isolationism and protectionism.

Mr. Darman saved his harshest words for unnamed leaders of big U.S. corporations. In his speech to the Japan Society of New York, he said that American chief executives must assume a large share of the blame for losing out to Japanese and other foreign competitors.

"As a general matter, we pride ourselves on our pioneering traditions," Mr. Darman said. "But outside of the publicly funded defense area, we under-invest in research and development. Some high-priced managers seem to spend less time developing R&D budgets than they spend reviewing golf scores. . .

"And if, by chance, one wants to discuss any of this with some of America's top corporate leaders, it is often best to call after 10 in the morning and before 4 in the afternoon — unless one has the number of their car phones."

Mr. Darman charged that although corporate heads pay lip service to the theory of global interdependence, "much of corporate America remains parochial, and knows far less about other cultures than foreign managers know about us. It is little wonder that the Japanese, Koreans and others can design and market state-of-the-art consumer products for our markets, but that we are often inept at doing the reverse."

Mr. Darman suggested that a growing worry about the stewardship of some of America's greatest companies is the force that may ultimately induce changes in the management of U.S. businesses. He said concern about the competence of some executives was reflected in the news media's "infatuation" with Carl C. Icahn and T. Boone Pickens Jr., once dismissed as corporate raiders but now considered folk heroes by some when they tackle established enterprises.

Mr. Darman said the Tax Reform Act of 1986 would help stimulate individual and business incentives, which would bolster U.S. economic competitiveness.

Lawsuit Seeks to Pressure BofA to Negotiate Merger

Los Angeles Times Service

LOS ANGELES — A stockholder lawsuit has been filed against BankAmerica Corp.'s board in an effort to force serious merger negotiations with First Interstate Bancorp or any other qualified bidder.

The class-action suit, filed Oct. 10 in Delaware, where BankAmerica is incorporated, also seeks independent shareholder representation in any talks on a merger or recapitalization. The complaint alleges that BankAmerica board members are acting out of self-interest rather than on behalf of the company's 148,000 individual and institutional shareholders.

BankAmerica has moved for dismissal of the suit, a spokesman said Friday.

The lawsuit was filed a week after First Interstate bid $2.8 billion for troubled BankAmerica, the second-largest U.S. banking company. First Interstate has since raised its offer to $3.4 billion.

Last Monday, BankAmerica's board all but rejected the First Interstate proposal, saying it saw no reason for a merger at this point.

The suit was filed by Barbara Zarowitz, a New York City housewife who owns 200 BankAmerica shares, on behalf of all common stockholders. She is represented by Richard D. Greenfield, an attorney with the Haverford, Pennsylvania, law firm Greenfield & Chimicles.

Mr. Greenfield said Friday that he filed the Zarowitz suit to assure that shareholders' interests were represented in any discussions regarding a merger or injection of capital from outside investors.

He said the suit did not seek damages at this point but that the bank would be liable for huge claims if it did not accept a merger or other plan to increase the value of the company's shares. First Interstate is offering a package of securities it says are worth $22 a share for BankAmerica.

London Unit on Block

Bank of America is exploring the sale of its London-based mortgage bank, BankAmerica Finance, according to a senior executive, the International Herald Tribune reported from London.

Jeremy G. Fair, a senior vice president at Bank of America's British headquarters, said several financial institutions had expressed interest in BankAmerica Finance.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Nov. 7	Oct.31	Ch'ge
DJ Indus.	1,886.53	1,877.81	+ 0.46 %
DJ Util.	209.81	209.41	+ 0.19 %
DJ Trans.	845.00	835.38	+ 1.13 %
S & P 100	231.53	229.52	+ 0.88 %
S & P 500	245.77	243.98	+ 0.73 %
S & P Ind	273.30	270.90	+ 0.89 %
NYSE Cp	141.50	140.41	+ 0.78 %
Britain			
FTSE 100	1,662.60	1,632.10	+ 1.87 %
FT 30	1,317.30	1,285.40	+ 2.47 %
Japan			
Nikkei 225	16,973.64	16,910.63	+ 0.37 %
West Germany			
Commerzbk	2,019.10	1,995.70	+ 1.17 %
Hong Kong			
Hong Seng	2,218.38	2,315.63	— 4.38 %

Source: James Capel & Co., London.

Money Rates

United States	Nov.7	Oct. 31	
Discount rate	5½	5½	
Federal funds rate	5⅞	6¼	
Prime rate	7½	7½	
Japan			
Discount	3	3	
Call money	3 15/16	4 7/16	
3-month interbank	4¼	4¾	
West Germany			
Lombard	5½	5½	
Call money	4.50	4.50	
3-month interbank	4.65	4.75	
Britain			
Bank base rate	11	11	
Call money	11	10½	
3-month interbank	10 11/16	11¼	
Dollar	Nov. 7	Oct. 31	Ch'ge
Bk Engl Index	112.50	112.60	— 0.09 %
Gold			
London p.m. fix,$	408.20	410.00	— 0.44 %

Currency Rates

Cross Rates — *Nov. 7*

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.2325	3.328	112.975 *	34.625 *	0.1636 *	—	5.442 *	135.47 *	142.80 y
Brussels(a)	42.0625	61.0925	20.7565	6.3645	3.004 *	18.3745	—	24.9055	26.25 *
Frankfurt	2.0642	2.943	—	30.45 *	1.4475 x	88.525 *	4.819 *	119.94 *	1.265 *
London (b)	1.4275	—	2.9463	9.619	2,037.00	3.3295	61.14	2.456	232.05
Milan	1,426.50	2,035.00	691.01	211.79	—	611.72	33.200	829.00	8.738
New York(c)	—	0.6985 ‡	2.0575	6.7195	1,422.50	2.3265	42.74	1.7165	162.95
Paris	6.738	9.612	3.2626	—	4.722 x	2.8884	15.72 *	3.9136	4.1245 *
Tokyo	163.10	232.99	79.10	24.25	11.49 *	70.07	381.79 *	95.02	—
Zurich	1.7243	2.4597	83.335 *	25.54 *	0.1206 *	73.715 *	4.0153 *	—	1.0568 *
1 ECU	1.0127	0.7104	2.0928	6.8279	1,446.18	2.3637	43.4412	1.7439	165.531
1 SDR	1.1987	0.8354	N.Q.	8.0226	1,699.63	2.7772	51.0342	2.0497	194.195

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (‡) To buy one pound: $U.S.1.4310

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	1.14	Fin. markka	5.00	Mex. peso	825.00	Soviet ruble	0.6892
Austral. $	1.5695	Greek drac.	140.00	Norw. krone	7.545	Span. peseta	137.55
Austr. schil.	14.48	Hong Kong $	7.8015	Phil. peso	20.25	Swed. krona	7.0075
Belg. fin. fr.	43.08	Indian rupee	12.95	Port. escudo	149.50	Taiwan $	36.44
Brazil cruz.	13.77	Indo. rupiah	1,633.00	Saudi riyal	3.7502	Thai baht	26.265
Canadian $	1.3866	Irish £	0.7557	Sing. $	2.193	Turkish lira	743.50
Chinese yuan	3.7221	Israeli shek.	1.4872	S. Afr. rand	2.2676	UAE dirham	3.673
Danish krone	7.7875	Kuwaiti dinar	0.2942	S. Kor. won	871.60	Venez. boliv.	23.00
Egypt. pound	1.4285	Malay. ring.	2.624				

£ Sterling: 1.0799 Irish £

Sources: Indosuez Bank Belgium (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

International Bond Prices

(Continued)

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Avr Life	Yield Curr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWEDEN

SWITZERLAND

UNITED KINGDOM

U.S.A.

French Francs

Norwegian Kroner

Euro-Currency Units

Japanese Yen

Pounds Sterling

Zero-Coupons

Canadian Dollars

NASDAQ National List

OTC consolidated trading for week ended Friday, Nov. 6

	Sales in 100s	High	Low	Last	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euromarts At a Glance

Eurobond Yields

	Nov. 5	Oct. 29
U.S. $, Int'l inst., 8 yrs & over	8.34	8.42
Public issuers, 8 yrs & over	8.53	8.50
Industrials, 8 yrs & over	8.71	8.71
Intermediate, 5 to 7 yrs	8.22	8.32
Pounds sterling, 5 to 7 yrs	11.40	11.87
French francs, less than 5 yrs	8.35	8.61
ECU, 8 yrs & over	8.46	8.56
5 to 7 yrs	8.31	8.40
Can. $, 5 to 7 yrs	10.02	10.05
Aus. $, 5 to 7 yrs	14.34	14.37
N.Z. $, less than 5 yrs	15.64	15.73
Yen, 8 yrs & over	6.32	6.25
5 to 7 yrs	5.96	5.92

Source: Luxembourg Stock Exchange.

Weekly Sales

Nov. 7

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	253.50	478.80	563.40	1,142.50
Convert.	78.00	30.00	546.30	143.40
FRNs	133.00	—	1,695.10	47.80
ECP	415.50	52.40	2,553.00	—
Total	880.00	561.20	5,347.80	1,333.70

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	7,624.00	7,323.30	16,743.30	7,221.30
Convert.	279.60	77.10	1,208.70	171.70
FRNs	1,951.70	913.80	10,313.20	1,632.70
ECP	1,990.00	98.00	3,151.70	80.00
Total	11,845.30	8,412.20	31,414.90	9,105.70

Source: Euroclear, Cedel.

Libor Rates

Nov. 7

	1-month	3-month	6-month
U.S. $	6 1/16	6 1/16	6 1/16
Deutsche mark	4 11/16	4 11/16	4 11/16
Pound sterling	11⅛	11 1/16	11 1/16
French franc	7½	7⅝	8 1/16
ECU	7⅛	7½	7½
Yen	4⅝	4 11/16	4⅝

Source: Morgan Guaranty, Lloyds Bank, Reuters.

Convertible Bonds

Amt	Security	%	Mat.	Conv. Period	Conv. Price/sh	Curr. Conv. Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPE

JAPAN

MISCELLANEOUS

U.S.A.

هكذا عن الأصل

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Alberta Province	$500	1993	1/32	100	99.90	Over 6-month Libor. Callable at par in 1990. Fees 0.10%. Denominations $10,000.
Citicorp	$500	perpt	⅜	100	99.45	Over 3-month Libid. Redeemable at par in 2026 and callable at par in 1991. Fees 0.75%. Denominations $50,000.
Society for Savings	$100	1991	⅛	100	—	Over 6-month Libor. Noncallable. $50 million issued now and $50 million reserved for a 2-year tap. Fees 0.25%. Registered notes in denominations of $100,000.
Nordic Investment Bank	Y 8,500	1991	libor	100⅝	—	Interest will rise as 6-month Libor falls, and vice versa. Redemption amount at maturity will be linked to the U.S. dollar/yen exchange rate, rising if yen appreciates and falling if yen weakens. Fees 1⅞%.
FIXED-COUPON						
Alberta Province	$750	1991	7⅜	100⅛	98.58	Noncallable. Fees 1⅞%.
Banca Commerciale Italiana	$100	1991	7½	100⅞	98.13	Noncallable. Fees 1⅞%.
Brierley Investments Overseas	$100	1991	8¼	100½	98.25	Noncallable. Fes 1⅞%. Denominations $10,000.
Crédit Agricole	$150	1991	7¼	100½	98.63	Noncallable. Fees 1⅞%. Denominations $10,000.
Deutsche Bank Finance	DM 400	1992	6	112	110.75	Noncallable. Each 5,000-mark note with 2 two-year warrants, exercisable into $500 and $2,000 respectively at a fixed exchange rate of 2.06 marks per dollar. Fees 1¼%.
Deutsche Bank Finance	DM 300	1992	6	100½	100.00	Noncallable. Fees 1¼%.
Montedison Finance Overseas	FF 500	2001	8⅝	100	97.25	Callable and redeemable at par in 1991 and 1996 when new terms may be set. Fees 1⅝%.
Commonwealth Bank of Australia	C$ 100	1992	9½	101⅜	97.88	Noncallable. Fees 1⅞%.
C. Itoh Int'l	C$ 50	1991	10¼	101	—	First coupon to be paid in one lump sum in 1990. Callable at par in 1990. Fees 1⅞%.
Montreal Trust Co.	C$ 50	1991	10	101½	99.13	Noncallable. Fees 1⅞%.
Woatil Finance	Aus$ 40	1990	14⅜	101½	99.63	Noncallable. Fees 1⅝%.
IBM Australia	Aus$ 50	1989	14⅜	101¼	99.75	Noncallable. Fees 1⅝%.
Landesbank Stuttgart	Aus$ 35	1991	14	101¼	99.38	Noncallable. Fees 1⅞%.
EQUITY-LINKED						
Hankyu	$100	1991	3⅛	100	101.00	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 552 yen per share and at 165.20 yen per dollar. Fees 2¼%.
Inspectorate Int'l Finance	$ 75	1993	3½	100	—	Noncallable. Each $5,000 note with 23 five-year warrants each exercisable into one bearer participation certificates at 392 Swiss francs, representing no premium. Fees 2¼%.
Sankyo Aluminum Industry	$ 40	1991	open	100	99.50	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2½%. Terms to be set Nov. 11.
Towa Real Estate Development	$ 40	1991	open	100	101.00	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Nov. 14.
Toyo Aluminum	$ 35	1991	open	100	—	Coupon indicated at 3⅛%. Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Nov. 12.
Wyse Technology	$ 35	2001	7	100	—	Redeemable at 106 in 1991 to yield 8.106%. Convertible at $18⅝, a 23.14% premium. Fees 2½%.
Kenwood	DM 100	1993	2¼	100	97.50	Noncallable. Each 5,000-mark note with one warrant exercisable into company's shares at 687 yen per share and at 80.34 yen per mark. Fees 2¼%.
Marujama Manufacturing	DM 40	1991	open	100	96.75	Coupon indicated at 2¼%. Noncallable. Each 5,000-mark note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set Nov. 11.
Settsu	DM 100	1991	2¼	100	98.00	Noncallable. Each 1,000-mark note with one warrant exercisable into company's shares at 826 yen per share and at 80.07 yen per mark. Fees 2¼%.
WARRANTS						
Christiania Bank	0.075	24 mos	—	$15	—	Warrants exercisable at 100%, per lots of 100 and once a quarter from March 1987, into a 7⅝% bond due 1994.
Goldman Sachs	0.25	6 mos	—	$15	—	Call warrants exercisable at 101.999 into the new U.S. Treasury's 10-year, 7¼% notes.
Goldman Sachs	0.25	6 mos.	—	$19	—	Put warrants exercisable at 96.999 into the new U.S. Treasury's 10-year, 7¼% notes.
Morgan Stanley	1.2	1989	—	$21¼	—	Call warrants, each exercisable before maturity into the cash equivalent of a quarter of the value of the AMEX MMI index, or at maturity into either cash or underlying shares. Exercise price will be the difference between present value of index and value at the time of exercise.

Prices Fall As Treasury Refunding Disappoints

By Mary Tobin
United Press International

NEW YORK — The poor reception to the Treasury's record $29-billion refunding auction sent bond prices lower across the board. Dealers said they expect further losses until the Treasury issues are placed with investors.

On Thursday, the Treasury auctioned $10 billion of three-year

U.S. CREDIT MARKETS

notes at an average yield of 6.42 percent; $9.75 billion of 10-year notes at a yield of 7.25 percent, and $9.25 billion of 30-year bonds at 7.54 percent.

Philip Braverman, chief economist at Irving Securities, said that Japanese dealers and investors bought an estimated $1 billion to $1.5 billion of the 10-year notes, and $3 billion or more of the 30-year.

"Nevertheless, overall retail buying was disappointing," he said.

This effectively left the 35 primary government dealers, who are required to bid on Treasury securities, with huge inventories that they might have to mark down to sell.

"All of the issues are under water," one trader said, meaning that yields, trading on a when-issued basis, are higher than the auction award. "Anyone who bought them is sitting with a loss right now."

Although prices improved slightly Friday afternoon, government bonds were still down sharply on the week.

The 30-year bond sold Thursday with a 7½-percent coupon rate, trading when-issued, closed at 98⅛ for a yield of 7.66 percent, well above the 7.54-percent auction yield. The 7¼-percent coupon 30-year bond sold at the last refunding closed at 93½, for a yield of 7.81 percent, down from 95¼ last Friday.

Henry Kaufman, chief economist at Salomon Brothers, attributed the lack of domestic interest in the auction to uncertainty over the economy and the Federal Reserve's posture after the recent meeting of its policy-making Open Market Committee.

"The Fed is unlikely to speed the pace of accommodation very soon," Mr. Kaufman said, citing October employment data that points to "an acceleration, albeit temporary, in real economic activity in the current quarter."

U.S. Consumer Rates

	Nov. 7
Passbook Savings	5.50 %
Tax Exempt Bonds	
Bond Buyer 20-Bond Index	6.84 %
Money Market Funds	
Donoghue's 7-Day Average	5.34 %
Bank Money Market Accounts	
Bank Rate Monitor Index	5.51 %
Home Mortgage, FHLB average	10.43 %

Source: New York Times.

WORLD STOCKS IN REVIEW / *Via Agence France-Presse*

Amsterdam

The Amsterdam Stock Exchange registered increases in all sectors last week, with the ANP-CBS General Index rising to 283.3 from 276 the previous week.

Total volume was 5.35 billion guilders, up from 4.94 billion.

AKZO NV was the first company to publish third-quarter results, showing net profit per share rising 4.88 guilders from 4.83 in the third quarter of 1985.

Philips NV, Europe's largest electronics company, announced a 27-percent drop in net profit over the third quarter and said it would now be difficult to equal 1985's profit level.

Royal Dutch/Shell Group of the Netherlands and Britain, Europe's largest oil company, followed with net profit of £525 million in the quarter, up 20 percent from £439 million last year, but below analysts' expectations.

Amsterdam stockbrokers H.P.D. said banks and insurance companies that have lagged may well pick up in coming weeks.

Frankfurt

A strong showing on Wall Street and a firmer dollar boosted the Frankfurt stock exchange last week. The Commerzbank Index advanced 23.4 points to 2,019.1.

Banks benefited from hopes, which proved unfounded, of a reduction in interest rates, while a rise in the dollar helped the export sector.

The volume of transactions came to 2.15 billion Deutsche marks, against 2.1 billion DM the previous week.

Among automobiles, Daimler-Benz AG, which announced on Wednesday an increase in its capital, closed the week 37 DM stronger at 1,286, while Bayerische Motoren Werke AG gave up 1 DM to finish at 577 and Volkswagen AG gained 10.50 to close at 464.

Mannesmann AG, in the metals section, put on 12 DM to 189.50 and Continental Gummi-Werke AG, in tires, gained 10.50 to 335.

Hong Kong

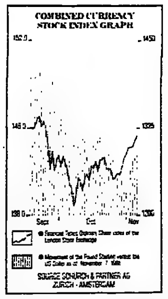
Stock prices plunged last week in a market dominated by rumors, later confirmed, that publisher Rupert Murdoch had bought a stake in Hong Kong's publicly listed English-language daily, the South China Morning Post, and by fears of U.S. protectionist measures that could damage the local economy.

The Hang Seng Index finished 97.25 points lower for the week at 2,218.38. The Hong Kong index fell 61.66 points, settling at 1,404.29.

The Hang Seng shed 56.85 points Monday, its biggest one-day fall in 17 months, only to be outdone by a 62-point slide Thursday.

The Democrats' victory in U.S. congressional elections spurred nervous selling. Dealers said many investors felt the British colony's export-led economy could be jeopardized by protectionist measures likely to be revived by the Democrats.

The value of average daily turnover fell from 1.03 billion Hong Kong dollars to 790 million.



London

The second week of the Big Bang saw gains for most sectors on the London Stock Exchange.

The Financial Times industrial share index rose to its highest level for eight weeks, closing Friday up 31.8 points on the week at 1,317.2.

A statement by the chancellor of the Exchequer, Nigel Lawson, that public spending would be increased next year was well received by equities. But gilts wiped out initial gains on fears that this apparent relaxation of monetary policy would lead to increases in interest rates and inflation.

Hopes that the new Saudi oil minister, Hisham Nazer, would succeed in persuading the Organization of Petroleum Exporting Countries to agree on production cuts to help lift crude prices to around $18 a barrel prompted sharp gains for oils. Disappointing third-quarter figures from Shell had only a briefly depressing effect.

In an analysis of the chancellor's statement, stockbrokers Savory Milln concluded that the government's expenditure plans greatly reduced the possibility of a major tax cut in the next budget. Nevertheless, the British economy should remain buoyant over the next year, thus feeding the current bullish equity market, they added.

Milan

The Milan bourse was calm last week. The main event, the approval of the takeover of government-owned automaker Alfa Romeo SpA by Fiat SpA, had no effect on trade.

The COMIT index moved up 0.33 percent, closing at 768.81 points from the previous week's 766.91. The volume of trade was moderate, averaging 45 million units a day for an average value of 222 billion lire.

Fiat declined 0.32 percent, with the sharpest fall recorded the day after the confirmation of its purchase of the unprofitable Alfa Romeo.

Chief performer was again Montedison SpA, which rose 6.37 per cent. On Thursday and Friday, 32 million Montedison shares changed hands, for a value of 100 billion lire.

Market analysts attributed the activity to supplementary purchases by the Ferruzzi sugar group, seeking to increase its 22-percent share in the chemicals group.

Paris

French share prices gave up around 1 percent last week as foreign investors, still fascinated by the Big Bang on the London exchange, were reluctant to assert themselves.

In addition, analysts said, the good results announced by many companies had been anticipated.

The CAC index declined from 383.6 to 379.3 in sluggish trading.

By the end of the week, however, a modest recovery was evident as the market took note of predictions by the National Statistics Institute that the economy would show a strong finish by year's end, boosted by a 2-percent increase in industrial output over the second quarter.

The week was also marked by a flurry of takeover activity. The family holding company of Carlo de Benedetti, chairman of Olivetti SpA of Italy, took a 25-percent stake in the French fashion firm Yves Saint-Laurent.

Louis Vuitton, the luggage maker, was reported to be interested in champagne producer Veuve Clicquot as well as the Martell cognac firm.

Singapore

Blue chips and marine stocks suffered substantial losses on the Singapore stock market last week. The Straits Times industrial index retreated below 900, shedding 42.98 points to close at 894.39.

Sellers emerged to dominate trading on Tuesday, and double-digit losses were recorded across a broad front. Trading volume slowed, averaging 21 million units, against 25 million the previous week.

News that the economy grew in the third quarter at 3.8 percent, compared with 1.2 percent in the second quarter, was discounted by investors.

Newly listed Keppel Investment Warrants was the most active stock. The warrants to purchase shares in Straits Steamship made their debut on Tuesday and had a turnover of 10 million units for the week.

Tokyo

Japanese shares rose modestly in shortened trading on the Tokyo Stock Exchange last week. The 225-stock Nikkei average, a 626.63-point gainer the previous week, added 63.01 yen to 16,973.64 yen Friday.

The composite index, comprising all common stocks listed on the market's first section, climbed 1.13 points to 1,409.18. The index rose 56.14 points the previous week.

The market was closed Monday for a national holiday and on Saturday for a regular monthly trading recess.

Japanese stock prices the previous week registered their biggest single-day rises in terms of the Nikkei average and the composite index and seemed to have cleared a downward phase.

But many institutional and corporate investors hesitated to return to the market, awaiting the results of Tuesday's U.S. congressional elections.

Analysts said the Democrats' victory would probably result in rising protectionism in the United States, forcing Japan to take further measures to stimulate its domestic economy.

Analysts said they were still uncertain whether institutional and corporate investors would return fully to the market this week.

Zurich

Stock options were introduced on the Zurich exchange last week, enabling buyers, including foreigners, to acquire Swiss nominal shares during a fixed period.

Some analysts said the new instrument tended to confuse the market. They noted that the Société de Banque Suisse index was flat, moving from 653.9 the previous Friday to 656.7 at the closing session Friday.

B.K. Bank Zurich offered 100,000 option certificates on Ciba-Geigy AG nominal shares at 350 Swiss francs a share for three years. It was quickly followed by Société de Banque Suisse, with an offer of 25,000 options on nominal shares of Zurich-Assurances.

Market specialists were reasonably optimistic for the coming week, expecting a stable dollar. They said the medium-term trends were positive, with the SBS index likely to hit 675 before the end of the year.

Banks were irregular, with Union de Banques Suisses gaining 95 points to 5,920, while Crédit Suisse lost 15 points to close at 3,705.

Rhône-Poulenc's Terms Push Fees Down a Notch

By Carl Gewirtz
International Herald Tribune

PARIS — Bank fees dropped a notch further last week with Rhône-Poulenc offering to pay an annual fee of four basis points, or .04 percent, for a seven-year multi-option facility of $200 million.

The previous low, set last month on a 10-year facility for Crédit National, was a split fee of four basis points for five years and five basis points for the final five years.

Rhône-Poulenc's terms caused a stir because, although the company is government-owned, it does not carry the explicit guarantee of France, as does Crédit National.

At the time it came to market, Crédit National said that it had been offered lower charges than those it had accepted but opted for pricing it deemed realistic and likely to succeed. Rhône-Poulenc's test of the market will show whether Crédit National was overly conservative in rejecting lower pricing.

However, bankers insist that the transactions are not really comparable. An industrial company has a lot more potential business to give to banks than does a state credit agency — meaning that lenders would be willing to provide cut-rate terms on some business to win access to the firm's other, presumably more profitable, financing operations.

Rhône-Poulenc is expected to use the facility to back the sale of

INTERNATIONAL CREDIT

short-term notes — with banks either invited to bid for the notes through a tender panel or proposing terms directly to the company. If the credit line is used, the cost will be set at four basis points over the London interbank offered rate for up to half the total amount and eight basis points over Libor for more than that. In addition, lead managers will earn a front-end fee of six basis points.

DSM, the Dutch government-owned chemical and energy group, opted for more conservative pricing on its $200 million multi-option facility. Only $100 million will be underwritten by banks for seven years and the annual facility fee of five basis points for the first five years and 6¼ basis points thereafter. If drawn, the interest charge will be 6¼ basis points over Libor for up to half the amount and 10 basis points over Libor for more than that.

The facility will be used to issue either notes through a tender panel that will be run by Lloyds or commercial paper, for which Morgan Guaranty has been named initial dealer.

The U.S. financing subsidiary of Trans Canada Pipelines Ltd. is seeking a $300-million, seven-year note issuance facility. The annual fee is 10 basis points and if the credit is drawn interest will be set at 15 basis points over Libor.

Fireman's Fund Corp. is in the market with a $200-million, five-year note issuance facility. It will pay an annual facility fee of 8½ basis points for the back-up credit. The interest charge to draw on it will be set at 12½ basis points over Libor. If more than one-third of the total is drawn, there will be a utilization fee of an additional 3½ basis points; if more than two-thirds is drawn the additional fee rises to 6¼ basis points.

Saudi European Bank, based in Paris, has arranged a $30-million transferable revolving underwriting facility-Euro-CP program. The transaction has a maturity of three years that can be extended for a further two years at the option of the underwriting banks. The bank will pay an annual underwriting fee of 20 basis points and certificates of deposit it aims to issue will carry a fixed margin of 25 basis points over Libor.

Libra Bank, the London-based consortium bank specializing in lending to Latin America, plans to privately place $25 million of medium-term notes through Merrill Lynch. The noncallable, five-year registered notes will carry interest of 18¾ basis points over three-month Libor. Libra proposes to use the proceeds to reduce its short-term borrowings and to extend its medium-term debt maturity profile.

In the commercial paper market, Qantas Airways has appointed Banque Paribas, Bank of America, Credit Suisse First Boston, Morgan Stanley, Orion Royal Bank and Swiss Bank Corp. to market as much as $200 million of up to one-year paper in the international market.

MCorp, the Texas-based bank holding company that last week announced a $91-million loss for the first nine months and suspended its stock dividend, announced a $200 million commercial paper program with First Interstate Capital Markets, Merrill Lynch and Shearson Lehman Brothers acting as dealers. The average outstanding amounts under the program are not expected to exceed the $100-million level of a previously arranged note issuance facility.

Dealers said the company has "a good story to tell" and that last week's bad news would not interfere with plans to tap the market.

Laird Group, the British engineering company, has named Samuel Montagu and S.G. Warburg to market up to £100 million in commercial paper that may also be issued in U.S. dollars. The two dealers, joined by County Bank, will also market £200 million of certificates of deposit issued by the London branch of Banco di Roma.

Montagu is also dealer for a £100 million CD program for Chud Trust & Banking Co.

In the syndicated loan market, Turkey's agricultural bank TC Ziraat Bankasi is seeking $150 million for one year as pre-export financing. Interest on the loan will be set at ¾ point over Libor and front-end fees range up to 40 basis points.

A. Ahlstrom Corp., a forest products and engineering company based in Finland, is seeking a $40-million, eight-year transferable loan facility. Interest will be set at 12½ basis points over Libor for the first four years and 18¾ basis points over Libor thereafter.

BONDS: *Investors Waiting*

(Continued from first finance page)

ties and therefore insurance companies and pension funds can buy them.

Deutsche Bank at the same time offered 300 million DM of five-year notes carrying a coupon of 6 percent and priced at 100½. The warrant bond carries an identical coupon but an offering price of 112, in effect pricing the warrant at 11½ percent. That means the dollar would have to rise to 2.2969 DM for purchasers to just break even.

Thus, most analysts considered the price of the warrants too expensive to be attractive.

However, Deutsche Bank sees the warrants as a highly leveraged trading vehicle with a one-pfennig increase in the exchange rate expected to produce an increase of 5 DM in the value of the warrant. Meanwhile, the warrants ended the week at 110 DM bid/115 DM asked, down from an offering price of 115 DM, while the exchange rate ended the week in Frankfurt at 2.0642 DM.

Deutsche Bank's 300 million DM non-warrant bond ended the week down ½ point at par. Although the terms are identical, the two issues will trade separately and are not fungible, although the ex-warrant bond should trade at the same price as the straight bond.

DEBT: *Manila, Banks Disagree*

(Continued from first finance page)

been regarded as precedent-setting by both debtors and creditors.

On Friday, Mr. Ongpin declined to say precisely what the Philippines had asked for in its debt repayment proposal, but he made it clear that the Mexican package had served as something of a model.

"I don't know of a single debtor nation that doesn't look upon the Mexican agreement as a precedent, and it's not a secret that there is great unhappiness among banks with the Mexican package," the finance minister said.

Jose B. Fernandez, Jr., governor of the central bank of the Philippines, said the request did not include a "contingency mechanism" such as the one incorporated in the Mexico agreement, which allows Mexico to tap additional funds in the event that economic growth falls short of targets.

As part of the debt rescheduling package, the Philippines is also seeking to restructure $5.6 billion in foreign debt that was rescheduled in May 1985. As of June, the Philippines had a total foreign debt of $26.5 billion.

In the last month, the Philippines reached final agreement with the International Monetary Fund on about $500 million in new loans.

Mr. Fernandez noted that the balance-of-payments projections on which the IMF loan was based assume a restructuring of the Philippines commercial debt as of the beginning of next year.

The Philippines officials said that as far as they were concerned, the ball was in the bankers' court.

"If Jan. 1 comes around and they haven't tossed back the ball, then we are left with very few options," Mr. Ongpin said. "One of them would be declaring a standstill." He did not elaborate, but such a standstill presumably would mean halting payment on loan principal while continuing to meet interest payments.

NASDAQ National Market

OTC Consolidated trading for week ended Friday. Nov. 6

Sales in 100s High Low Close Ch'ge

A

B

C

D

E

F

G

H

I

J

K

L

M

(Continued on next page)

Wall Street Review

AMEX Most Actives

Vol. High Low Last Chng.

NYSE Most Actives

Vol. High Low Last Chng.

AMEX Sales

Sales Vol.

NYSE Sales

Sales Vol.

AMEX Diaries

This Wk Last Wk

Advanced
Declined
Unchanged
Total issues
New Highs
New Lows

NYSE Diaries

This Wk Last Wk

Advanced
Declined
Unchanged
Total issues
New Highs
New Lows

Mutual Funds

Figures as of close of trading Friday Nov. 6

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

Bid Ask

NL—No load; NL—Redemption; ...

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

	Sales in				
	100s	High	Low	Close	Net Ch'ge
Y					
YlowF s .42 1.5	5443	40¾	38¾	40¼	+1¾
YrkFn s .40b 3.3	182	18¼	17¾	18	+ ⅜
Z					
Zehntel	327	3¾	3⅜	3⅝	
ZenNtl .80 3.4	2703	25	22¾	23¾	— ¾
Zentec	1666	4½	3⅞	4½	— ½
Zeus	752	5½	3¾	3⅞	—1⅝
Ziegler .48a 2.9	90	17	16½	16½	— ½
ZionUt 1.44 3.0	515	47½	46¼	47⅜	+ ⅜
Zitel	144	2	1¾	1⅞	— ⅛
Zivad	970	3¾	3⅜	3⅝	— ⅞
Zondvn .2	628	27⅜	27	27¼	— ⅜
Zycad	4311	4⅞	4⅛	4¼	— ½
Zygo	14	7⅛	6½	7	— ⅛
Zymos	4244	1⅜	1⅛	1¼	— ⅛

Treasury Bonds

Nov. 7

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
31.10.88	100 3/32	100 5/32	6.31	6.24
15.11.89	99 19/32	99 28/32	6.52	6.46
30.9.90	99 25/32	99 27/32	6.80	6.68
11.15.91	98 20/32	98 22/32	6.82	6.74
15.10.93	99 19/32	99 21/32	7.19	7.08
15.11.96	98 8/32	98 10/32	7.35	7.33
15.2.06	113 15/32	113 19/32	7.99	7.84
15.11.16	98 19/32	98 21/32	7.62	7.62

Source: Salomon Inc.

Mexican Inflation at 99%

The Associated Press

MEXICO CITY — Consumer prices in Mexico rose 5.7 percent in October from September, the central bank reported Friday, and year-to-year inflation was 99.55 percent. Inflation for all of 1985 was 63.7 percent.

Lucky Stores Plans New Restructuring

New York Times Service

LOS ANGELES — Lucky Stores Inc., under pressure from the takeover efforts of Asher B. Edelman, the New York investor, has announced a restructuring plan that would include the repurchase of up to 28 percent of its common stock and the spinning off or sale of its three specialty store chains.

Lucky said Friday that the program would focus the chain on its core retail food business and was intended to enhance shareholder value.

Lucky, based in Dublin, California, plans to buy up to 14,375,000 of its common shares for $40 a share and spin off the Hancock Textile Co. fabric subsidiary to shareholders. The company said it would also sell two other specialty retailing units, Checker Auto Parts Inc. and Yellow Front Stores Inc., and reincorporate in Delaware.

The three units reported pretax earnings of $54.1 million on sales of $728.9 million for 1985 and accounted for 36.5 percent of Lucky's total sales of $9.38 billion. Lucky's net income for 1985 was $86.5 million, or $1.64 a share.

Analysts estimated that the restructuring would be worth $35 to $38 a share. "It looks like an attractive package," said Jonathan Ziegler, an analyst at Sutro & Co.

Lucky closed on the New York Stock Exchange Friday at $35 a share, up $1.

The restructuring comes less than a week after Mr. Edelman dropped an offer to acquire the company for $1.68 billion, or $37 a share. But Reuters news agency, quoting Wall Street sources, reported that Mr. Edelman bought an additional 400,000 Lucky shares after the restructuring was announced. Such a purchase would raise his stake to slightly more than 5 percent and require disclosure within 10 days to the Securities and Exchange Commission.

The announcement follows an earlier restructuring plan in which Lucky closed its 80 Gemco stores and agreed to transfer 54 of the store sites to a division of Dayton Hudson Corp. At the time, the company said the transaction would net about $450 million to be used in repurchasing stock. Lucky said Friday that the new restructuring plan depended in part on the sale of the Gemco stores.

OPEC Panel to Discuss Call for Price Boost

The Associated Press

KUWAIT — The OPEC pricing committee will meet in Ecuador at the end of the week to discuss Saudi Arabia's call for efforts to raise oil prices to $18 a barrel, Kuwait's oil minister said Sunday.

The statement by the minister, Sheikh Ali Khalifa al-Sabah, was reported by the Kuwait News Agency. He heads the three-member committee. The other members are the oil ministers of Libya and Ecuador.

The Saudi proposal is aimed at getting the Organization of Petroleum Exporting Countries to set a minimum price of $18 per barrel. Prices now range from $13 to $15.

Sheikh Ali said the meeting would take place at the end of the week. OPEC sources, who asked not to be identified further, said it likely would be held Thursday or Friday in Quito.

Saudi Arabia's acting oil minister, Hisham Nazer, called for the emergency meeting of the pricing committee as his first act after being named by King Fahd to replace Ahmed Zaki Yamani on Oct. 30.

A full OPEC ministerial session is scheduled for Dec. 11 in Geneva.

At that meeting, the 13 members of the cartel are to discuss assigning permanent quotas to control output and maintain prices.

Sheikh Ali started his consultations for the pricing committee meeting immediately after the call by the Saudi minister. Some countries not on the committee were expected to send delegates to the meeting.

Gulf members of OPEC also are reportedly in contact with non-OPEC producers to try to enlist their cooperation in raising prices.

Continental Bank Says Canada Approves Sale

United Press International

TORONTO — Continental Bank of Canada said the government had approved the sale of the bulk of its assets to a subsidiary of Lloyds Bank PLC. Continental said its 55 branches would open Monday as branches of Lloyds Bank Canada.

Continental arranged last month to sell the assets for the equivalent of $144 million.

KANSAS:

Grapes and Grain

(Continued from first finance page)

five years on a program to grow strawberries, and this year for the first time area supermarkets are featuring Kansas-grown strawberries.

Kansas farmers are experimenting with a number of other alternative crops as well: millet for bird seed, sesame, castor beans, safflower, rape seed and amaranth, a high-protein staple sold in health-food stores.

Meanwhile, back at Dr. Rizza's Villarizza Vineyards, his success and that of 23 other Kansas farmers growing wine grapes was given a boost last Tuesday, when Kansas voted to permit liquor to be sold by the drink in public places for the first time in 68 years.

"In order for there to be wineries in Kansas, we must have tasting rooms. By law, tasting rooms are illegal," under the old statute, Dr. Rizza said. The constitutional amendment approved last week gives counties the power to legalize the serving of liquor by the drink.

"We're trying to re-establish the winery industry in Kansas as a viable and profitable endeavor," Dr. Rizza said. "The way the agricultural economy is going downhill in this state, farmers have got to realize they must diversify."

Belgrade-Beijing Air Link

Reuters

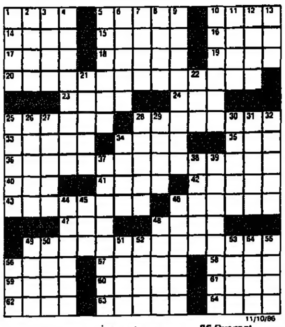
BELGRADE — The Yugoslav airline JAT will resume in May a weekly Belgrade-Beijing service that was discontinued as unprofitable five years ago, the official news agency Tanjug said Saturday.

American Exchange Options

Figures as of close of trading Friday. Nov. 6

Chicago Exchange Options

Figures as of close of trading Friday. Nov. 6



11/10/86

ACROSS

1 Kind of pity or indulgence
5 Dizzy Gillespie's forte
10 Ship's lockup
14 "... —— saw Elba"
15 Full-grown insect
16 Pumice source
17 Iranian coin
18 More meticulous
19 Cures
20 Out of fashion
23 What Penrod and Sam were
24 Counterpart of Sen.
25 Shade of red
28 A size of paper
33 Utopian colony in Iowa
34 Stand-up comic Mort
35 Suffix meaning "full of"
36 Out of nostalgia
40 Hot time in Paris
41 Slippery ones
42 Do a tailoring job
43 Butlers and maids
46 Tartans
47 Newt
48 Yale team
49 H. G. Wells sci-fi tale
56 —— de force
57 Glossy fabric
58 Bakery worker
59 Qualified
60 Kind of bout
61 —— Scotia
62 Interpret
63 Winter road hazard
64 Biting fly

DOWN

1 Slavic language
2 Canal or lake
3 Jacob's first wife
4 Cebu native
5 Hobo's bundle of bedding
6 Gives off
7 Founder of a musical dynasty
8 Curved molding
9 Stateroom window
10 Holds liable for
11 Latest fashion
12 U.S. composer: 1874-1954
13 An anesthetic
21 Speech sound
22 Crusoe's refuge: Abbr.
25 Night spots
26 Overact
27 Less common
28 Comes a cropper
29 —— law, in electricity
30 Raccoon's tropical relative
31 Invited
32 Jury members
34 Directive to a printer
37 They care about caries
38 Of certain Franks
39 A foul in hockey
44 Turned aside
45 Fore's opposite
46 Daily —— (Clark Kent's paper)
48 M. Zola
49 Start of a famous soliloquy
50 Wahine's dance
51 Jouster's garb
52 Diminutive ending
53 Holy picture
54 Leningrad's river
55 Part of Q.E.D.
56 Pinafore crewman

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DENNIS THE MENACE

"MOM, WHICH HALF OF ME IS IRISH?"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GNUST

SHYKU

BUNNIO

YANTID

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A

(Answers tomorrow)

Friday's | Jumbles: ANISE SCARF GOITER POISON
Answer: What she said when the chimney sweep proposed marriage—YOU "SOOT" ME FINE

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Algarve	20	68	10	50	o
Amsterdam	9	48	4	39	o
Athens	18	64	4	39	fr
Barcelona	20	68	8	46	fr
Belgrade	14	57	-2	28	cl
Berlin	11	52	5	41	fr
Brussels	8	46	2	36	cl
Bucharest	—	—	—	—	na
Budapest	13	55	0	32	cl
Copenhagen	12	54	5	41	fr
Costa Del Sol	22	72	13	55	fr
Dublin	14	57	7	45	r
Edinburgh	12	54	6	43	r
Florence	13	55	7	45	o
Frankfurt	8	46	-1	30	cl
Geneva	11	52	5	41	cl
Helsinki	7	45	3	38	o
Las Palmas	24	75	17	63	fr
Lisbon	12	54	9	48	cl
London	12	54	5	41	o
Madrid	13	55	0	32	fr
Milan	11	52	2	36	fr
Moscow	0	32	-4	25	o
Munich	9	48	3	38	cl
Nice	19	66	12	54	cl
Oslo	9	48	3	38	fr
Paris	11	52	2	36	cl
Prague	10	50	1	34	fr
Reykjavik	3	38	1	34	cl
Rome	19	66	11	52	cl
Stockholm	8	46	4	39	fr
Strasbourg	9	48	0	32	cl
Venice	12	54	1	34	fr
Vienna	11	52	3	38	cl
Warsaw	8	46	3	38	cl
Zurich	9	48	5	41	o

MIDDLE EAST

	HIGH C	HIGH F	LOW C	LOW F	
Ankara	6	43	0	32	cl
Beirut	—	—	—	—	na
Cairo	17	63	12	54	r
Damascus	12	54	7	45	r
Istanbul	9	48	4	37	cl
Jerusalem	8	46	5	41	r
Tel Aviv	14	57	9	48	st

OCEANIA

	HIGH C	HIGH F	LOW C	LOW F	
Auckland	—	—	—	—	na
Sydney	20	68	15	59	fr

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	32	90	25	77	cl
Beijing	16	61	2	36	fr
Hong Kong	24	75	16	61	fr
Manila	31	88	24	75	cl
New Delhi	26	79	14	57	fr
Seoul	8	46	5	41	cl
Shanghai	16	61	7	45	fr
Singapore	31	88	24	75	o
Taipei	21	70	16	61	r
Tokyo	13	55	9	48	r

AFRICA

	HIGH C	HIGH F	LOW C	LOW F	
Algiers	22	72	6	43	cl
Cape Town	—	—	8	46	fr
Casablanca	20	68	12	54	cl
Harare	30	86	19	66	fr
Lagos	30	86	25	77	o
Nairobi	30	86	13	55	cl
Tunis	21	70	10	50	fr

LATIN AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Buenos Aires	—	—	—	—	na
Caracas	27	81	25	77	fr
Lima	—	—	—	—	na
Mexico City	28	82	9	48	fr
Rio de Janeiro	27	81	19	66	fr

NORTH AMERICA

	HIGH C	HIGH F	LOW C	LOW F	
Anchorage	5	41	-1	30	r
Atlanta	27	81	20	68	sh
Boston	22	72	11	52	sh
Chicago	6	43	1	34	pc
Denver	3	38	-6	20	pc
Detroit	10	50	7	45	cl
Honolulu	31	88	22	72	fr
Houston	26	79	21	70	pc
Los Angeles	24	75	11	52	fr
Miami	29	84	26	79	fr
Minneapolis	-7	19	-9	16	na
Montreal	12	54	3	38	cl
Nassau	30	86	24	75	fr
New York	22	72	16	61	sh
San Francisco	19	66	9	48	fr
Seattle	5	41	0	32	pc
Toronto	10	50	5	41	r
Washington	24	75	11	52	cl

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Very rough. FRANKFURT: Partly cloudy. Temp. 10—2 (50—36). LONDON: Overcast. Temp. 11—6 (52—34). MADRID: Cloudy. Temp. 14—1 (57—34). NEW YORK: Cloudy. Temp. 13—11 (55—52). PARIS: Partly cloudy. Temp. 14—5 (57—41). ROME: Fair. Temp. 20—12 (68—54). TEL AVIV: N.A. ZURICH: Partly cloudy. Temp. 10—4 (50—39). BANGKOK: Foggy. Temp. 33—25 (91—77). HONG KONG: Cloudy. Temp. 23—18 (73—64). MANILA: Thunderstorms. Temp. 30—23 (86—73). SEOUL: Foggy. Temp. 9—2 (48—28). SINGAPORE: Fair. Temp. 29—24 (84—75). TOKYO: Rain. Temp. 19—10 (66—50).

SPORTS

SECONDS — Cal Ripken, left, was congratulated by Pittsburgh's Tony Pena after the Baltimore infielder hit his second two-run homer of Saturday's game in Yokohama, won by the touring U.S. major-leaguers, 15-3, over the Japanese all-stars. In Sunday's finale in Toyko, Pena drove in three runs as the Americans won, 9-4, wrapping up the series with a 6-1 victory margin.

VANTAGE POINT/ Andrew Warshaw

Fan Violence Not Just 'the British Disease'

The Associated Press

LONDON — Soccer officials say violence by fans, which has kept English clubs out of European soccer competition for two seasons, now seems more widespread in parts of Europe than in Britain.

A recent Asssociated Press survey of European soccer officials found fan violence has decreased at English domestic games and increased on the continent, especially in Italy, Greece and the Netherlands.

English officials say the finding shows soccer rowdiness can no longer be accurately called "the British disease." And English Football League spokesman Andy Williamson said it shows the time is right to allow English clubs back into Europe.

"I certainly feel the ban should be reviewed. If we are not allowed to play overseas, what further proof have we that the situation is getting better?" he said.

But the European soccer body, UEFA, contends that English fans' better behavior at home must be matched in their conduct at exhibition games overseas before the ban can be lifted.

The ban was imposed after the May 1985 riot at Heysel stadium in Brussels during the Champions Cup final between Liverpool and Juventus of Turin. The rioting started by Liverpool supporters killed 39 people, mostly Italians.

English FA spokesman David Bloomfield said he thinks the most likely reason for the decrease in fan violence in England this season was improved stadium security, which includes a ban on alcohol and police surveillance by closed-circuit television.

Officials list five major outbreaks of English fan violence this season. The worst was on Sept. 20, when traveling backers of second-division Leeds United set fire to a grassy hill and a mobile food van at Bradford. Police arrested 64 people, and Leeds fans were barred from attending away games.

The latest two occurred Saturday, in the northeast town of Darlington and in south-coast Torquay.

At a third-division game between neighboring Darlington and Middlesbrough, about 200 fans began fighting on the field and delayed the game for 12 minutes; police said 64 persons were arrested. At Torquay, Wolverhampton fans repeatedly invaded the field during a fourth-division match and a policeman was injured by an object thrown from the stands.

Also on Saturday, 20 policemen were injured in Munich, when 250 fans invaded the field during a Bavarian Regional League match between Munich 1860 and Bayreuth.

A recent survey of European soccer officials found fan violence has decreased at English domestic games and increased on the continent, especially in Italy, Greece and the Netherlands.

Officials said there has been violence almost every weekend in the Italian league despite strict security (an alcohol ban and body searches).

Troublemakers wrecked 30 buses on Sept. 28 in Rome and overturned several cars. During the game, baton-wielding police fired tear gas and arrested 25 people in running battles. The same day, police arrested 10 people in Brescia after backers of visiting Fiorentina had thrown sharpened coins into a section of the stand.

In Greece, one fan was killed Oct. 26 by a flare fired before the start of the *Larissa-Paok* Salonica match. Almost every week, there have been episodes of rock-throwing and fighting, and attendance has dropped sharply.

Government sports under-secretary Sifis Valyrakis has proposed expelling from the Greek championship any club whose fans engage in repeated acts of violence. He also called for stricter enforcement of a law passed in August that sets jail terms of up to two years for fighting, carrying weapons, exploding fireworks or interrupting play.

In Scandinavia, Spain, Portugal and France, fan violence has been nearly eliminated. In West Germany, where minor scuffles occur frequently, officials say the decrease in major incidents is a direct result of the Heysel riots. "Brussels was a deterrent. Many rowdies had second thoughts after Brussels," said a West German soccer federation spokesman.

Fan violence appears to be most acute in the Netherlands. Through the end of October, authorities said 58 fans had been injured and 215 people arrested in Dutch soccer violence.

On Nov. 2, Rotterdam police reported one person was seriously burned and 37 fans were arrested for violent behavior.

Police in the southern city of Den Bosch dismantled two home-made fire bombs before a match between FC Den Bosch and The Hague.

Some supporters of Feyenoord who traveled to Mönchengladbach, West Germany, for a UEFA Cup game against the local team, Borussia, fought with local citizens, wrecked shops and overturned cars. Police made 71 arrests.

It marked the first time traveling fans from anywhere but Britain had caused major problems in the three European Cup competitions, said a UEFA spokesman.

Last week, the Dutch National Soccer Association, after a meeting with mayors of Dutch towns where professional soccer is played, agreed to consider a ban on *spectators from* certain matches.

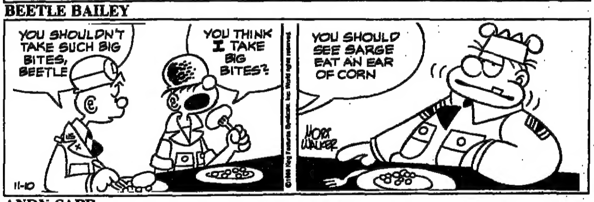
UEFA has nominated three neutral observers to study crowd behavior at English club matches, but no amount of good behavior at home can alone lead to the ban's being lifted, said the UEFA spokesman.

At last month's Sweden-England international in Stockholm, a group of English fans was arrested for drunkenness and fighting. Before the season began, more than 100 fans traveling abroad for a series of exhibition games brawled on a North Sea ferry. Five were injured, three with stab wounds, and 14 arrested.

PEANUTS

BLONDIE

BEETLE BAILEY



ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

BOOKS

CHEKHOV

By Henri Troyat. Translated by Michael Henry Heim. 364 pages. Illustrated. $22.50. E. P. Dutton, 2 Park Avenue, New York, N. Y. 10016.

Reviewed by John Gross

ANTON CHEKHOV'S father was an unsuccessful grocer in Taganrog, a somnolent seaport in southern Russia that by the mid-19th century had lost whatever prosperity it had once enjoyed. He was also a domestic tyrant who beat his children virtually every day, in the conviction that he was carrying out the will of God, and who forced them to spend long hours toiling in his grimy little shop under dismal conditions — on one occasion, when a rat drowned in a barrel of oil, he sent for a priest to recite a purification ritual so he could continue offering the oil for sale.

In spite of all this he was not without his affectionate impulses or his abilities (he taught himself to play the violin, for instance), and later in life his famous son was able to look back at him with remarkably little resentment. But at the same time Chekhov's childhood was overshadowed by hardship and fear, and the family's situation became even more wretched during his adolescence when it moved to Moscow (where his father had decamped to avoid being thrown into prison for debt).

Yet out of the cramped and often squalid circumstances in which Chekhov grew up there emerged a writer with as fine a sensibility as Proust or Henry James — a writer, moreover, who did not pursue and safeguard his vocation at the expense of everything else, but who was equally prepared to shoulder practical burdens — to take charge of his family's affairs while he was still in his teens, and simultaneously set out to become a doctor.

Henri Troyat's new biography proceeds along the same lines as his well-known studies of Tolstoy, Dostoyevsky and other Russian masters: He reconstructs Chekhov's life in the spirit of a novelist, but without indulging in the fanciful speculations of a *vie romancée*. This time, however, he faces more of a challenge. There is undoubted drama in watching Chekhov triumph over his early disadvantages; but after that — in contrast with the tumultuous lives of Troyat's previous subjects — his story is relatively low-key.

Not that it lacks incident, of course. His career as a doctor, the onset and deadly progress of his tuberculosis, his friendships with famous contemporaries, his travels, his quarrels, his involvement in the theater, his marriage — all these furnish memorable moments. What the separate episodes do not provide is the kind of narrative momentum that sweeps everything before it. In the end a biography of Chekhov, like so many of his stories, is bound to be first and foremost a character study.

Luckily Troyat knows how to make the most of his opportunities, including the opportunity to draw on Chekhov's incomparable letters. He is a self-effacing biographer who nonetheless maintains a discreet distance from his subject; his portrait is skillfully composed and convincing, and he succeeds — the trickiest task of all — in capturing the appropriate tone. (Just occasionally, though, his translator lets him down, with a misjudged colloquialism or an awkward term like "old-maidenhood.")

A few themes come across particularly strongly. One is the quality that Troyat sums up as Chekhov's "moderation" (much the same thing as the "common sense" that W.H. Auden, according to Joseph Brodsky, once said he found lacking in all the great Russian writers apart from Chekhov). It was a quality allied to his shrinking from displays of self-importance — never was there a great man who was less addicted to playing the Great Man — to his preference for literary techniques that permitted readers to draw their own conclusions and to his insistence that his job as a writer was (in Troyat's words) "to state problems, not solve them."

Politically, too, Chekhov mistrusted extremes. He was a liberal who believed that in the end progress depended on individuals rather than mass movements, and who frequently gave a lead himself — voluntarily inspecting and publicizing conditions in the penal colony on the island of Sakhalin, for instance, and helping to establish a sanatorium for consumptives at Yalta. (It still bears his name).

As great writers go, he had an exceptionally attractive and humane personality. But no great achievement is ever accomplished without a certain ruthlessness, and Troyat also summons witnesses who attest to Chekhov's underlying impassivity and detachment, his ability to insulate himself from the demands of passion. "You are colder than the devil with people," Maxim Gorky once wrote to him.

Finally, however, it is an amalgam of qualities that Troyat presents, rather than a balance sheet. There was warmth as well as coldness in Chekhov, just as there was comedy as well as tragedy in his vision of things. The big mistake in either case would be to assume that one excludes the other.

It is a mistake that Troyat does not commit. On the contrary, he sets out to convey the distinctive Chekhovian blend of feelings and attitudes, and succeeds — nowhere more so than in his account of the writer's last days at a German spa, and his funeral, which had its full share of absurdities (his body arrived back in Russia in a railroad van marked "FOR OYSTERS") but closed on a note of simple sadness. The only graveside oration he received was his mother's response as a friend bent down to kiss her hand: "What a calamity has struck us. Antosha is no more."

John Gross is on the staff of The New York Times.

Solution to Friday's Puzzle

JERUSALEM SPICA
ELIMINATE CAROL
SEPARATED ATALE
TEEN PERIOD TOR
KEENAN GENT
ROADI NATALE
IMBIBE LEGATEES
INIRONS SETSOUT
SIDESTEP BETARD
SHIRES NONOS
TEXT RETEST
ALE SENECA ARAW
BERRA AMORALITY
ONEAM DENTELLES
RASPE ENDORSEES

11/8/86

BRIDGE

By Alan Truscott

THE diagramed deal illustrates an important point of theory for those using modern bidding methods. A response of two clubs to one diamond creates problems, and cannot be considered a virtual game force as it often is in response to a major. The difference is that a forcing response of one no-trump is not available, to those who favor it, after a one-diamond opening.

The rebid to two no-trump was non-forcing, but North had enough to continue to game. West led the heart eight, choosing the unbid suit, and South had a tricky planning problem. Entries to the closed hand were due to be crucial, and with that in mind she made a good play by putting up the heart jack. She was willing to run the slight risk that West had led from Q-9-8 or K-9-8. As expected, East played the queen, which was allowed to win.

East continued with a heart and the ten was finessed successfully. South led a club to the queen, and when this held, she tested diamonds by cashing the ace and king. This precaution proved its worth when East discarded a club, and the nine was unblocked from the closed hand.

South reverted to clubs, and West was helpless when he won with the ace. He would have done best to lead a diamond, locking South in the dummy, but that would not have defeated the contract. He chose a third heart and South emerged with a useful overtrick by taking her winners and ending with the marked finesse in diamonds.

NORTH (D)
♠ K 8 6 5
♡ J 3
◇ A K Q 8 3
♣ Q 5

WEST
♠ A 10 3
♡ 8 6 2
◇ 10 7 5 2
♣ A 9 4

EAST
♠ J 9 2
♡ K Q 9 7 4
◇ J
♣ 8 7 3 2

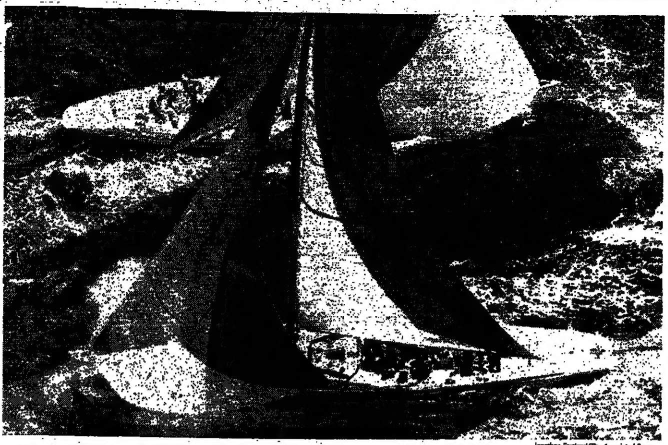
SOUTH
♠ Q 7 4
♡ A 10 5
◇ 9 6 4
♣ K J 10 6

Neither side was vulnerable. The bidding:

North	East	South	West
1 ◇	Pass	2 ♣	Pass
2 ♠	Pass	2 N.T.	Pass
3 N.T.	Pass	Pass	Pass

West led the heart eight.

SPORTS



Jonathon Eastland/The Associated Press

New Zealand, top, and Canada II circled tightly prior to the start of their challengers' race Sunday, which New Zealand won.

America II Outsails USA; KZ7 Retains Tie

By Ruth Youngblood
United Press International

FREMANTLE, Australia — America II evaded a blockade of angry lobstermen Sunday and then trounced USA by 1 minute 18 seconds in heavily gusting winds that

AMERICA'S CUP

caused two Australian crewmen to be swept overboard in the America's Cup trials.

With all 18 challenging and defending yachts racing in the 26- to 30-knot gusts, the New York Yacht Club's America II, skippered by John Kolius, held back a rally by San Francisco's double-ruddered 12-meter, sailed by Tom Blackaller, and retained its first-place tie with New Zealand's KZ7, which routed Canada II by 3:10.

Both yachts are 18-1 in the trials to determine the challenger, setting the stage for Monday's race between Kolius and the New Zealand boat's Chris Dickson.

"It should be fun," said Kolius, of Darien, Connecticut.

"We'll do our standard check to make sure our maintenance is in order. It won't be anything different than we do for any other race."

But Kolius, who has won 15 straight races, is still smarting from his only loss, to Dickson in the first series.

In other Sunday races, Dennis Conner's Stars & Stripes kept third place with a 2:34 clobbering of French Kiss, while Italia whipped Eagle, from Newport Beach, California, by 1:29.

Chicago's Heart of America ended an eight-race losing streak with a 1:41 triumph over Italy's Azzurra and Great Britain's White Crusader devastated Challenge France by 11:53.

New Zealand and America II top the standings with 46 points, 10 ahead of Stars and Stripes. In fourth, White Crusader and USA are tied with 28.

"We haven't quite figured out how to make the boat go fast upwind in that kind of condition," said the revolutionary USA's tactician, Paul Cayard.

In the second round of the defending yachts' competition, the golden-hulled Kookaburras won again to retain first and third place. Kookaburra II defeated world champion Australia III by 2:07 while Kookaburra III came from behind a much-improved Steak'n Kidney for a four-minute victory.

Steak'n Kidney, the Sydney boat that did not win a race in the first series, led Kookaburra III for three legs until a broken jib tack and halyard allowed Iain Murray's boat to take the lead.

With the heavy winds whipping up steep swells, race officials shortened the eight-legged course to six legs to prevent more havoc after two crewmen of South Australia were swept overboard while trying to retrieve a headsail dragging in the angry seas. Both Andy Dyer and Peter Wall-Smith were picked up by the chase boat and were not injured.

In addition to Steak'n Kidney's problems, Canada II blew a genoa, New Zealand lost a jib and French Kiss had gear failure.

South Australia, which was trailing badly when it lost its two crewmen, withdrew and left Australia IV to easily hold on to second place.

Kookaburra III leads the defenders' series with 11 points. Australia IV is second with 10, followed by Kookaburra II with nine.

The lobstermen, protesting the government's reduced catch quotas, formed a blockade early Sunday to stop the yachts from reaching the courses, but failed even to delay the races.

About 50 fishing vessels sailed back and forth across the narrow passage from Fremantle Harbor. The tender pulling America II, horns sounding, maneuvered through the obstructing boats while the onshore crowd cheered and the other competitors followed.

Kolius held a 57-second margin rounding the first windward mark, but Blackaller chopped away 31 seconds before America II was able to take advantage of the rapidly building winds for a 1:21 lead on the reach.

By the second leeward buoy, Blackaller had closed again, to 39 seconds, but he could not stop Kolius from almost tripling the margin on the way home.

Arizona State in Rose Bowl for First Time

49-0 Thrashing of California Follows UCLA Upset; LSU Stuns Alabama, 14-10

The Associated Press

TEMPE, Arizona — Flanker Bruce Hill scored three times Saturday night and quarterback Jeff

U.S. COLLEGE ROUNDUP

Van Raaphorst passed for three touchdowns as fifth-ranked Arizona State crushed California, 49-0, and became the first U.S. college football team to clinch a postseason bowl berth.

The Sun Devil victory, coupled with Stanford's 28-23 upset of No. 12 UCLA earlier Saturday, gave Arizona State, 8-0-1, the Pacific-10 Conference title and a spot in the Rose Bowl on New Year's Day.

"I'm going to send [Stanford Coach] Jack Elway a bunch of roses the first thing Monday morning," said his ASU counterpart, John Cooper. "Stanford made it possible. Everything fell into place for us. We've been waiting a long, long time to get to the Rose Bowl."

It will be the first time an Arizona school has played in the Rose Bowl since Arizona State and the University of Arizona joined the Pac-10 in 1978.

In another night game, No. 18 Louisiana State threw the Southeastern Conference race into a four-team scramble by upsetting fifth-ranked Alabama.

Hill returned the second-half kickoff 96 yards for a touchdown and caught scoring passes of 8 and 62 yards from Van Raaphorst, while Jeff Galimore caught a five-yard touchdown pass. Although intercepted for the first time in six games, Van Raaphorst was 11-of-14 passing for 141 yards.

California had six turnovers, two of which the Sun Devils turned into touchdowns; another kept the Golden Bears from scoring. ASU linebacker Mark Tingstad intercepted two passes, and defensive back Brett Johnson had an interception and a fumble recovery.

Louisiana State 14, Alabama 10: In Birmingham, Alabama, safety Greg Jackson picked off a pass, recovered one fumble and and forced another to halt three Alabama threats. LSU (6-2 overall) tied 8-2 Alabama for first place in the SEC, each having a 4-1 mark.

Miami 38, Pittsburgh 10: In Pittsburgh, Vinny Testaverde completed 17 of 26 passes for 291 yards and four touchdowns as the No. 1-ranked Hurricanes, 9-0, won their 19th straight regular-season game. David Kintigh's 67-yard punt-return touchdown in the last minute of the first half made it 14-3 before Pitt's offense self-destructed with six turnovers that helped Miami score 30 consecutive points.

Penn State 17, Maryland 15: At University Park, Pennsylvania, the No. 2 Nittany Lions needed three interceptions and, with 14 seconds left, the deflection of a two-point conversion pass, to run their record to 8-0.

Maryland, an 18-point underdog, drove 76 yards in eight plays with quarterback Dan Henning throwing the final 27 yards to wide receiver John Bonato to make it 17-15. But Henning's pass for two points was broken up in the end zone up by linebacker Duffy Cobbs.

Earlier in that quarter, 260-pound tackle Pete Curkendall intercepted a pass by Henning and ran 82 yards to the Maryland nine, from where tailback D.J. Dozier scored his second nine-yard touchdown of the game.

Michigan 31, Purdue 7: In West Lafayette, Indiana, quarterback Jim Harbaugh was 14-of-20 passing for 154 yards and a touchdown as he became the No. 3 Wolverines' career leader in pass completions with 332, surpassing Steve Smith. The victory extended the nation's longest major-college unbeaten streak to 15 and gave coach Bo Schembechler his 165th triumph, tying the school record compiled by Fielding Yost from 1901-26.

Baylor 29, Arkansas 14: In Waco, Texas, the defense held No. 10 Arkansas to two first downs in the second half while halfback Jeffrey Murray scored on a two-yard run with 4:02 left and Derrick McAdoo ensured victory with a 32-yard scoring run with 1:20 to go.

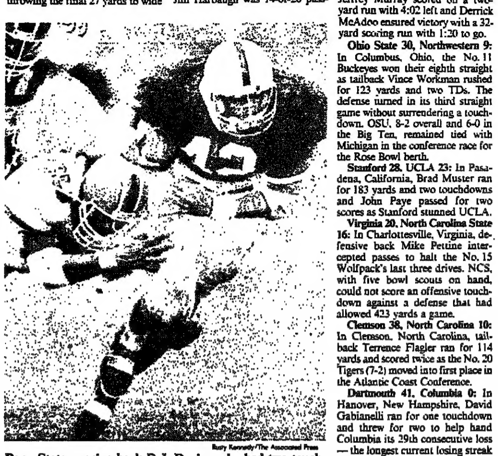
Ohio State 30, Northwestern 9: In Columbus, Ohio, the No. 11 Buckeyes won their eighth straight as tailback Vince Workman rushed for 123 yards and two TDs. The defense turned in its third straight game without surrendering a touchdown. OSU, 8-2 overall and 6-0 in the Big Ten, remained tied with Michigan in the conference race for the Rose Bowl berth.

Stanford 28, UCLA 23: In Pasadena, California, Brad Muster ran for 183 yards and two touchdowns and John Paye passed for two scores as Stanford stunned UCLA.

Virginia 20, North Carolina State 16: In Charlottesville, Virginia, defensive back Mike Pettine intercepted passes to halt the No. 15 Wolfpack's last three drives. NCS, with five bowl scouts on hand, could not score an offensive touchdown against a defense that had allowed 423 yards a game.

Clemson 38, North Carolina 10: In Clemson, North Carolina, tailback Terrence Flagler ran for 114 yards and scored twice as the No. 20 Tigers (7-2) moved into first place in the Atlantic Coast Conference.

Dartmouth 41, Columbia 0: In Hanover, New Hampshire, David Gabianelli ran for one touchdown and threw for two to help hand Columbia its 29th consecutive loss — the longest current losing streak among major colleges and five short of Northwestern's record.



Rusty Kennedy/The Associated Press

Penn State running back D.J. Dozier, who had two touchdowns on Saturday, picking up yardage against Maryland.

Tomczak Gets 2 Touchdowns, Payton 139 Yards as Bears Beat Bucs, 23-3

The Associated Press

TAMPA, Florida — Quarterback Mike Tomczak ran for one touchdown and passed for another Sunday and Walter Payton, playing with a dislocated toe, rushed for 139 yards as the Chicago Bears beat the Tampa Bay Buccaneers, 23-3, in the National Football League.

Tomczak, starting in place of the injured Jim McMahon, scored on a

NFL ROUNDUP

one-yard sneak and threw a 37-yard touchdown pass to Willie Gault, both in the first quarter.

Payton, making his 162d consecutive start only six days after dislocating the big toe on his right foot, set up the Bears' first touchdown with a 57-yard screen pass.

Tomczak, relieved by former U.S. Football League star Doug Flutie late in the last quarter, was 11-of-24 for 265 yards. Flutie made his NFL debut after Tomczak completed a 50-yard pass to Gault that gave the Bears a first down at the Tampa Bay 17. The drive stalled at the five when Flutie's only pass fell incomplete on third down, and Kevin Butler kicked his third field goal.

Saints 6, Rams 0: In New Orleans, Morten Andersen kicked a 20-yard field goal in the third quarter and a 22-yarder in the fourth before cornerback Dave Waymer picked off Steve Dils' pass with 2:52 left in New Orleans' defeat of Los Angeles.

It was the Saints' first shutout in 10 years, the Rams' first in two years.

The Rams, who had been held without a first down in the second half, appeared to be driving for a winning touchdown in the final five minutes of the game. They had reached the New Orleans' 21-yard line, on a drive from their 20, when Dils lofted a pass for Ron Brown and Waymer stepped in front of it. He returned the ball to the New Orleans 26 to stop the threat.

Jets 28, Falcons 14: In Atlanta, Ken O'Brien threw for 322 yards and three touchdowns, plus completing a club-record 17 straight passes, as New York won its eighth straight and Atlanta lost its third in a row.

O'Brien broke the Jets' record of 15 consecutive completions, set over a two-game span by Joe Namath and was only three shy of the NFL record set by Kenny Anderson of the Cincinnati Bengals against Houston on Jan. 2, 1983.

O'Brien began the scoring on the first play of the second quarter with a 59-yard pass Al Toon and threw for two more touchdowns that period to Wesley Walker, with those passes covering 46 and 16 yards.

Redskins 16, Packers 7: In Green Bay, Wisconsin, Jay Schroeder passed for 167 yards and two touchdowns for Washington.

Chiefs 27, Seahawks 7: In Kansas City, Missouri, Bill Kenney, after a nightmarish first quarter, threw three touchdown passes as Kansas City beat Seattle for its best 10-game record, 7-3, in 15 years.

Kenney threw two interceptions in his first four passes and the Chiefs lost a fumble on Seattle's first punt. But the Seahawks managed only 14 yards and missed on a field goal with the turnovers.

Bills 16, Steelers 12: In Orchard Park, New York, Robb Riddick rushed for 108 yards and a touchdown as Buffalo beat Pittsburgh and gave Marv Levy a victory in his debut as the team's coach.

Patriots 30, Colts 21: In Indianapolis, Tony Eason passed for 240 yards and two third-quarter touchdowns as New England rallied from an 11-point deficit early in the game and kept the frustrated Colts the only winless team in the NFL.

Vikings 24, Lions 10: In Pontiac, Michigan, Tommy Kramer, the National Conference's top-rated quarterback, threw for 284 yards and a touchdown and Minnesota turned three Detroit turnovers into scores.

Oilers 32, Bengals 28: In Houston, Warren Moon completing 25 of 44 passes for 310 yards and the Oilers held off Cincinnati's second half rally to end an eight-game losing streak.

Bengal quarterback Boomer Esiason, benched at the start of the third quarter, came back late in the period and rallied his team from a 29-7 deficit with three touchdown passes. But Moon and Drew Hill ended the comeback with a 45-yard pass to the Cincinnati 28 with 2:27 left.

Nakajima, Japan Win in World Golf

The Associated Press

INAGI, Japan — Tsuneyuki Nakajima shot four-under-par 68 Sunday to win the individual title by two strokes and help Japan take the team championship in the World Championship of Golf.

Bernhard Langer of West Germany shot 68 to finish second with a 272 total. His European team was runner-up to Japan after an 8-4 loss Sunday, while Australia-New Zealand beat the United States, 11-1, for third place.

N. Zealand Routs France in Rugby

By Bob Donahue
International Herald Tribune

TOULOUSE — New Zealand gave France a rugby lesson here Saturday, winning the first of two test matches, 19-7. The French, battered and baffled, have only a week to try to pull themselves together for the rematch in Nantes.

Including the five warmup matches against French regional teams, the All Blacks are undefeated on a tour that started Oct. 21. They have scored 25 tries to 7, totaling 189 points to 59. "They look unstoppable," French Coach Jacques Fouroux said after the test. "They do everything well."

"The French have some very fine players, but rugby is the supreme team sport, and it was teamwork that won the game for us," said Brian Lochore, the New Zealand coach.

French center Philippe Sella agreed, defining the All Blacks as "enormous power applied in unison."

Sella scored a try — his 15th in 34 tests — and right wing Philippe Bérot kicked a penalty goal. For New Zealand, No. 8 Wayne Shelford scored a try, fullback Kieran Crowley and center Arthur Stone kicked dropped goals and Crowley kicked three penalty goals.

After a scoreless first quarter, New Zealand had a 6-3 lead by halftime. It fell behind in the first minute of the second half, but went ahead to stay with Crowley's first penalty six minutes later.

The French had expected to dominate in the scrums and be dominated in the lineouts. Instead it was the other way around. Their try, for example, came from a lineout; Lock Alain Lorieux launched the movement, flanker Laurent Rodriguez drove deep into New Zealand territory and Sella slammed his way across in the corner.

The scrums were an unsolved puzzle for France — and also for the South African referee, Steve Strydom. He penalized New Zealand's front row now and then for staying upright, but usually the delaying tactics worked: New Zealand's forwards were able to spend less time than normal in the grueling scrummage contest, and the heavy French forwards repeatedly lost their footing.

Once the scrum was finally in place, New Zealand wit and grit often foiled French weight. The All Blacks shocked France by pilfering the ball in the first scrum of the match, and Shelford's try, prepared by a long run by scrumhalf David Kirk, was scored from a craftily wheeled scrum.

Jock Hobbs, the All Black captain, spent a worried third quarter. After the French stormed into the lead, he decided to speed up the game, hoping that his team's superior fitness would tell. "It was a critical period," he said. "If they'd scored again, we'd have been in trouble. We had to be bold — and we came back and scored the try that mattered."

Crowley missed the conversion, so France was still only six points behind until he connected with his second penalty goal in the 36th minute of the second half. But the tired French forwards were visibly slowing down.

For France, the humiliating final score could easily have been worse. New Zealand backs muffed five attacks that should have produced tries. "They seemed to be all fingers and thumbs," Lochore complained.

Lochore is using the tour to rebuild a team for rugby's first World Cup, which starts in May. The dispirited French now have some rebuilding of their own to do.

SCOREBOARD

Football

U.S. College Scores

EAST

Alfred 42, Rochester 20
Amherst 10, Williams 7
Army 21, Air Force 11
Boston College 38, Temple 29
Bowdoin 21, Colby 14
Colgate 27, Brown 3
Cornell 15, Yale 0
Dartmouth 41, Columbia 0
Fordham 12, Pace 13
Hofstra 21, Hobart 7
Holy Cross 17, Bucknell 10
Kings Point 38, Iona 14
Maine 14, New Hampshire 13
Massachusetts 17, Harvard 7
Miami (Fla.) 37, Pittsburgh 10
Middlebury 28, Norwich 7
Penn 42, Lafayette 14
Penn St. 17, Maryland 15
Rhode Island 34, S. Connecticut 18
St. Lawrence 17, RPI 0
Swarthmore 17, W. Maryland 8
Syracuse 31, Navy 22
Tufts 21, Bates 14
Villanova 28, Cent. Connecticut 0
Wesleyan 21, Trinity 17
W. Connecticut 14, C.W. Post 0
W. Virginia 24, Rutgers 17

SOUTH

Auburn 52, Cincinnati 10
Citadel 20, Wofford 6
Clemson 38, N. Carolina 10
Duke 38, Wake Forest 26
Florida 31, Georgia 19
Florida St. 45, S. Carolina 28
Furman 59, Davidson 0
Georgia Tech 52, VMI 6
Kentucky 34, Vanderbilt 22
LSU 14, Alabama 10
Louisville 23, Tulane 12
Tennessee 33, Memphis St. 3
Tenn.-Chattanooga 34, W. Carolina 7
Virginia 20, N. Carolina St. 16
Virginia Tech 17, Richmond 10
William & Mary 32, Princeton 14

MIDWEST

Bowling Green 20, Ball St. 17
Denison 49, Buffalo St. 6
Illinois 20, Iowa 16
Illinois St. 17, Wichita St. 10
Indiana 17, Michigan St. 14
Kent St. 24, Miami (Ohio) 23
Michigan 31, Purdue 7
Minnesota 27, Wisconsin 20
Nebraska 35, Iowa St. 14
N. Illinois 21, E. Michigan 14
N. Iowa 55, McNeese St. 38
Notre Dame 61, SMU 29
Ohio St. 30, Northwestern 9
Oklahoma St. 23, Kansas St. 3
Toledo 26, Cent. Michigan 14
W. Illinois 24, S. Illinois 21
W. Michigan 45, Ohio U. 17
Wittenberg 35, Ohio Wesleyan 14
Wooster 8, Oberlin 3

SOUTHWEST

Abilene Christian 20, E. Texas St. 12
Arkansas St. 43, N. Texas St. 21
Baylor 29, Arkansas 14
Texas 30, Houston 10
Texas Tech 34, TCU 14

FAR WEST

Arizona 31, Washington St. 6
Arizona St. 49, California 0
Brigham Young 10, Hawaii 3
Colorado 17, Kansas 10
E. New Mexico 34, Texas A&I 28
Fresno St. 36, Nev.-Las Vegas 7
Idaho 44, Montana St. 17
Montana 55, Weber St. 29
Nevada-Reno 21, Boise St. 16
N. Arizona 31, Idaho St. 17
San Jose St. 48, Fullerton St. 24
Stanford 28, UCLA 23
Utah 38, Colorado St. 28
Utah St. 14, Pacific U. 10
Washington 28, Oregon St. 12
Wyoming 41, Texas-El Paso 12

CFL Standings

Eastern Division

	W	L	T	PF	PA	Pts
Hamilton	9	8	1	405	366	19
Toronto	9	8	0	380	425	18
Montreal	4	13	0	304	433	8
Ottawa	3	14	1	346	514	7

Western Division

	W	L	T	PF	PA	Pts
Edmonton	12	4	1	498	351	25
Brit. Clmb	12	6	0	441	410	24
Winnipeg	11	7	0	547	387	22
Calgary	11	7	0	484	380	22
Saskatchwn	6	10	1	388	475	13

Friday's Result

Hamilton 20, Ottawa 19

Saturday's Result

British Columbia 36, Winnipeg 24

Basketball

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	3	1	.750	—
Philadelphia	3	2	.600	½
New Jersey	1	4	.200	2½
New York	1	5	.167	3
Washington	1	5	.167	3

Central Division

	W	L	Pct.	GB
Atlanta	5	0	1.000	—
Chicago	4	1	.800	1
Milwaukee	4	2	.667	1½
Indiana	3	2	.600	2
Cleveland	3	2	.600	2
Detroit	2	3	.400	3

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Houston	3	1	.750	—
Dallas	3	2	.600	½
Denver	3	2	.600	½
Utah	2	2	.500	1
San Antonio	2	4	.333	2
Sacramento	1	4	.200	2½

Pacific Division

	W	L	Pct.	GB
L.A. Lakers	2	1	.667	—
Golden State	3	2	.600	—
Seattle	3	2	.600	—
L.A. Clippers	2	3	.400	1
Phoenix	2	3	.400	1
Portland	1	4	.200	2

FRIDAY'S RESULTS

Phoenix 20 25 19 22— 86
Atlanta 32 23 25 26—106
Willis 9-18 4-4 22, McGee 8-14 3-3 22, Levingston 6-8 0-2 12, Wittman 4-11 4-8 12; Humphries 6-13 4-5 16, Edwards 4-12 6-7 14. Rebounds: Pho. 54 (Pinckney 16), Atl. 66 (Willis 19). Assists: Pho. 16 (Hornacek 4), Atl. 26 (Webb 10).

San Antonio 29 28 20 20— 97
Philadelphia 34 24 30 26—114
Erving 11-17 1-1 23, Threatt 8-20 0-0 18; Mitchell 11-19 2-2 24, Moore 10-16 0-0 20. Rebounds: S.A. 43 (Gilmore 9), Phil. 37 (McCormick 10). Assists: S.A. 27 (Moore 10), Phil. 33 (Cheeks 18).

Boston 13 22 29 24—88
Washington 25 21 17 23—86
Bird 14-28 3-5 32, McHale 9-14 2-4 20; J. Malone 11-23 4-4 26, M. Malone 4-17 8-10 16. Rebounds: Bos. 53 (Parish 14), Wash. 54 (M. Malone 12). Assists: Bos. 25 (D. Johnson 9), Wash. 12 (F. Johnson 5).

Milwaukee 25 28 37 26—115
New Jersey 19 23 21 21— 94
Pierce 9-12 6-7 24, Hodges 6-9 2-2 19; Woolridge 2-13 11-12 15, Washington 4-9 5-6 13. Rebounds: Mil. 43 (Cummings, Sikma, Pierce, Bradley, Breuer 5), N.J. 62 (Williams 13). Assists: Mil. 18 (Moncrief 6), N.J. 8 (Woolridge 3).

Chicago 22 29 29 29—109
Detroit 29 25 30 31—115
Jordan 11-26 11-15 33, Oakley 8-21 4-5 20; Thomas 11-24 6-8 29, Dantley 3-8 18-20 24. Rebounds: Chi. 54 (Oakley 19), Det. 47 (Laimbeer 19). Assists: Chi. 23 (Jordan, Paxson 5), Det. 15 (Thomas 8).

Denver 34 40 25 27—126
L.A. Lakers 37 35 34 32—138
Worthy 15-17 0-3 30, Scott 10-22 5-5 25; English 13-24 8-8 34, Honzik 6-14 7-8 20. Rebounds: Den. 43 (Alarie, English, Hanzlik 6), L.A. 61 (Abdul-Jabbar, Brickowski 9). Assists: Den. 33 (Lever 11), L.A. 40 (Johnson 18).

Dallas 32 39 25 20 6—113
Portland 29 34 31 12 13—129
Vandeweghe 12-27 10-10 36, Drexler 9-14 5-5 23; Aguirre 11-19 10-12 32, Perkins 7-12 3-4 17, Blackman 7-19 3-3 17. Rebounds: Dal. 66 (Perkins 13), Port. 60 (Carr 12). Assists: Dal. 25 (Aguirre 7), Port. 25 (Drexler 7).

Cleveland 28 26 35 26—115
Golden State 27 35 25 25—114
Harper 10-21 9-10 29, West 8-9 2-4 18; Short 11-25 8-8 30, Teagle 11-18 6-7 28. Rebounds: Cle. 50 (McCray 7), G.S. 57 (Carroll 12). Assists: Cle. 24 (Price 7), G.S. 31 (Floyd 9).

SATURDAY'S RESULTS

New York 27 26 23 26—102
Seattle 25 28 27 25—105
Ellis 10-17 9-13 29, Chambers 8-20 4-6 20, McDaniel 8-20 4-6 20; Wilkins 7-12 5-6 19, Cummings 8-17 3-4 19, Ewing 4-9 7-8 15. Rebounds: N.Y. 38 (Cummings 13), Sea. 45 (Ellis 12). Assists: N.Y. York 20 (Sparrow 8), Sea. 27 (Ellis, Henderson 6).

Detroit 34 20 29 16— 99
Milwaukee 22 28 24 29—103
Moncrief 6-11 8-9 21, Sikma 7-15 4-6 18; Thomas 10-15 6-7 26, Dantley 6-13 4-5 16. Rebounds: Det. 46 (Laimbeer 10), Mil. 56 (Cummings, Moncrief 10). Assists: Det. 18 (Dumars, Thomas 6), Mil. 25 (Pressey, Hodges 7).

San Antonio 17 24 26 28— 97
Indiana 24 28 36 40—128
Tisdale 9-14 10-13 28, Williams 8-14 6-8 22; Thompson 7-18 8-10 22, Robertson 5-13 4-6 14. Rebounds: S.A. 47 (Greenwood, Thompson 8), Ind. 74 (Person, Tisdale 11). Assists: S.A. 19 (Moore 4), Ind. 36 (Russell 10).

Washington 24 28 16 23—91
Atlanta 21 29 28 32—110
Williams 10-21 6-7 26, Wittman 9-13 2-2 21; Cotledge 9-14 0-6 18, M. Malone 5-17 7-10 17. Rebounds: Wash. 53 (C. Jones 12), Atl. 70 (Levingston 16). Assists: Wash. 20 (Johnson 5), Atl. 22 (Rivers 12).

Phoenix 25 31 28 22— 96
Chicago 36 20 25 30—101
Jordan 17-27 5-5 39, Paxson 8-17 0-0 16; Nance 11-18 5-8 27, Davis 13-28 1-3 27, Humphries 6-9 0-0 12. Rebounds: Phx. 49 (Pinckney 17), Chi. 55 (Oakley 17). Assists: Phx. 28 (Davis 9), Chi. 26 (Paxson 9).

Sacramento 20 22 24 24— 90
Houston 21 17 27 27—102
Olajuwon 12-21 1-2 25, Wiggins 10-21 5-6 25. Petersen 5-14 3-4 13; Steppe 6-13 5-5 17, Thompson 4-9 5-7 13, Smith 6-14 1-3 13, E. Johnson 5-12 3-3 13. Rebounds: Sac. 51 (E. Johnson 6), Hou. 62 (Olajuwon 21). Assists: Sac. 24 (Steppe 6), Hou. 25 (Olajuwon 6).

Cleveland 27 28 22 23—100
L.A. Clippers 23 28 23 19— 93
Harper 9-15 4-9 22, Williams 7-13 0-0 14, Bagley 7-12 0-0 14; Drew 6-14 7-7 19, Johnson 6-13 6-8 18. Rebounds: Cle. 47 (Dougherty 9), L.A. 43 (Cage 13). Assists: Cle. 31 (Bagley 10), L.A. 17 (Maxwell 6).

Hockey

National Hockey League Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
Philadelphia	10	3	1	21	57	32
Pittsburgh	9	3	2	20	63	51
NY Islanders	7	5	1	15	53	40
Washington	7	7	1	15	53	62
New Jersey	6	6	1	13	50	58
NY Rangers	3	6	4	10	48	56

Adams Division

	W	L	T	Pts	GF	GA
Montreal	7	4	3	17	58	51
Quebec	6	5	4	16	59	49
Hartford	5	4	3	13	41	47
Boston	6	7	1	13	48	51
Buffalo	4	8	2	10	52	51

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Toronto	7	4	3	17	46	44
Detroit	6	6	1	13	37	37
St. Louis	4	5	3	11	38	39
Minnesota	5	8	1	11	55	50
Chicago	4	9	2	10	48	65

Smythe Division

	W	L	T	Pts	GF	GA
Edmonton	9	6	1	19	71	56
Winnipeg	7	5	1	15	49	45
Calgary	7	7	0	14	58	55
Vancouver	4	9	2	10	42	59
Los Angeles	4	10	1	9	55	69

FRIDAY'S RESULTS

Vancouver 4 3 0—7
Buffalo 3 3 0—6
Sutter 2 (4), Smyl 2 (4), Sundstrom (6), Pederson (2), Coxe (1); Ramsey (2), Perreault 2 (9), Andreychuk (6), Palement (10), Priestly (4). Shots on goal: Vancouver (on Barrasso) 12-11-5—28; Buffalo (on Young, Brodeur) 15-11-9—35.

St. Louis 0 0 0—0
Winnipeg 0 0 2—2
Carlyle (4), Deriago (1). Shots on goal: St. Louis (on Berthiaume) 9-10-6—25; Winnipeg (on Wamsley) 12-11-10—33.

Edmonton 2 1 1—4
Calgary 2 3 1—6
Otto (5), MacInnis 2 (2), Wilson (5), Tonelli (5), Loob (4); Messier 6 Pogolin 1 Anderson 8, Gretzky 13). Shots on goal: Edmonton (on Vernon) 11-5-7—23; Calgary (on Moog) 12-13-9—34.

SATURDAY'S RESULTS

N.Y. Rangers 2 0 1—3
Philadelphia 0 1 1—2
Larouche (4), Patrick (1), Melnyk (2); Tocchet (5), Smith (5). Shots on goal: N.Y. Rangers (on Hextall) 6-4-9—19; Philadelphia (on Vanbiesbrouck) 7-21-10—38.

Detroit 0 1 0 0—1
N.Y. Islanders 1 0 0 1—2
D. Sutter (3), Flatley (5); Klima 11. Shots on goal: Detroit (on Hrudey) 9-11-16-2—38; N.Y. Islanders (on Hanlon) 13-8-7-3—31.

Boston 0 4 1—5
Quebec 0 1 0—1
Nienhuis (3), McCarthy (4), Pedersen (1), Kasper 2 (3); Goulet (7). Shots on goal: Boston (on Malarchuk, Sevigny) 10-13-10—33; Quebec (on Riggin) 5-4-6—15.

Chicago 1 1 0—2
Washington 1 2 0—3
Haworth 2 (6), Duchesne (4), Savard (4), Presley (2). Shots on goal: Chicago (on Mason) 9-10-8—27; Washington (on Sauve) 12-8-6—26.

Vancouver 1 2 1—5
Toronto 2 1 0—3
Skriko 2 (5), Tantl (5), Lidster (1), Sutter (5); Clark (10), Fryer (1), Courtnall (4). Shots on goal: Vancouver (on Bester) 7-11-17—35; Toronto (on Brodeur) 8-12-7—27.

Montreal 0 1 2—3
Edmonton 1 2 1—4
Messier (7), Krushelnyski (3), Muni (1). MacTavish (4); Walter 2 (4), Lemieux (4). Shots on goal: Montreal (on Fuhr) 7-9-10—26; Edmonton (on Roy) 7-9-8—24.

Pittsburgh 0 2 2—4
Minnesota 0 2 0—2
Bullard (2), LaVallee (5), Simpson (4), Johnson (1); Ciccarelli (18), MacLellan (5). Shots on goal: Pittsburgh (on Sands) 10-10-15—35; Minnesota (on Meloche) 6-9-12—27.

Hartford 1 1 1—3
Los Angeles 0 1 3—4
Taylor (5), Dionne (3), McKenna (3), Carson (6), Ferraro (7), Gavin (3), MacDermid (1). Shots on goal: Hartford (on Janecyk) 11-8-5—24; Los Angeles (on Liut) 17-21-6—44.

European Soccer

WEST GERMAN FIRST DIVISION

Borussia Dortmund 2, Kaiserslautern 0
Hamburg 1, Eintracht Frankfurt 1
Blau-Weiss Berlin 0, Leverkusen 1
Waldhof Mannheim 3, Bayern Munich 3
Cologne 3, Nuremberg 1
Fortuna Düsseldorf 3, Homburg 2
Schalke 1, Borussia Mönchengladbach 2
Stuttgart 4, Werder Bremen 0
Uerdingen 3, Bochum 1
Points standings: Leverkusen 19; Bayern Munich 18; Hamburg, Werder Bremen 17; Stuttgart, Kaiserslautern 15; Uerdingen 14; Borussia Dortmund, Borussia Mönchengladbach, Cologne, Eintracht Frankfurt, Bochum 13; Schalke 12; Waldhof Mannheim 11; Nuremberg 9; Homburg 8; Blau-Weiss Berlin, Fortuna Düsseldorf 7.

SPANISH FIRST DIVISION

Athletic Bilbao 1, Valladolid 0
Atletico Madrid 1, Real Sociedad 0
Barcelona 0, Zaragoza 0
Cadiz 0, Murcia 1
Mallorca 4, Las Palmas 0
Osasuna 2, Betis 1
Santander 1, Gijon 2
Sabadell 1, Español 1
Seville 0, Real Madrid 1
Points standings: Real Madrid 19; Barcelona 18; Español, Atletico de Madrid 16; Gijon, Athletic de Bilbao, Betis 15; Mallorca 14; Real Sociedad, Valladolid 13; Sevilla, Cadiz 12; Zaragoza, Las Palmas 11; Murcia, Osasuna 10; Santander, Sabadell 7.

FRENCH FIRST DIVISION

Toulouse 3, Paris-St. Germain 2
Nancy 0, Marseille 0
Bordeaux 1, Laval 1
Rennes 1, Auxerre 3
Nice 1, St. Etienne 0
Lille 0, R.C. Paris 1
Toulon 2, Metz 0
Le Havre 1, Monaco 1
Nantes 0, Brest 0
Sochaux 0, Lens 0
Points standings: Marseille 23, Bordeaux 23; Toulouse, Auxerre, Paris SG, Nice 19; Monaco 18; Nantes 17; Lille, Lens, Laval 16; Metz, Le Havre, Brest, Sochaux 15; St. Etienne 13; R.C. Paris 12; Nancy 11; Rennes 10; Toulon 9.

ENGLISH FIRST DIVISION

Arsenal 0, West Ham 0
Coventry City 1, Nottingham Forest 0
Everton 2, Chelsea 2
Leicester 1, Newcastle 1
Manchester City 3, Aston Villa 1
Norwich 2, Tottenham 1
Oxford 2, Manchester United 0
Queens Park Rangers 1, Liverpool 3
Sheffield Wednesday 3, Southampton 1
Watford 4, Charlton 1
Wimbledon 0, Luton 1
Points standings: Liverpool, Nottingham Forest, 26; Arsenal, Norwich 25; Luton, Coventry, West Ham 23; Everton 22; Sheffield Wednesday 21; Oxford 20; Tottenham, Wimbledon 19; Watford 18; Southampton, Queens Park Rangers, Charlton 17; Leicester, Aston Villa 16; Chelsea 14; Manchester United 13; Manchester City 12; Newcastle 10.

ITALIAN FIRST DIVISION

Ascoli 0, Fiorentina 1
Atalanta 0, Como 0
Avellino 0, Brescia 0
Empoli 1, Verona 0
Inter Milan 2, Torino 1
Juventus 1, Napoli 3
Roma 4, Udinese 0
Points standings: Napoli 14; Roma, Juventus, Inter Milan 12; Como 11; AC Milan, Verona 10; Torino, Avellino 9; Sampdoria, Fiorentina 7; Ascoli, Empoli 6; Atalanta 5; Brescia 4; Udinese -1.

America's Cup

(At Fremantle, Australia)

Standings of yachts in trials to determine challenger and defender for the final America's Cup series starting Jan. 31:

CHALLENGERS	W	L	Pts
America II	18	1	46
New Zealand	18	1	46
Stars & Stripes	16	3	36
White Crusader	12	7	28
USA	12	7	28
Italia (Italy)	11	8	27
French Kiss	9	10	9
Eagle	7	12	19
Heart of America	5	14	13
Canada II	7	12	11
Azzurra (Italy)	2	17	6
Challenge France	2	17	2

SUNDAY'S RESULTS

America II def. USA, 1:18
Italia def. Eagle, 1:29
Heart of America def. Azzurra, 1:41
Stars & Stripes def. French Kiss, 2:34
New Zealand def. Canada II, 3:10
White Crusader def. Challenge France, 11:53

MONDAY'S RACES

America II vs. New Zealand
French Kiss vs. Eagle
Italia vs. USA
White Crusader vs. Heart of America
Canada II vs. Challenge France
Azzurra vs. Stars & Stripes

DEFENDERS	W	L	Pts
Kookaburra III	10	1	11
Australia IV	9	2	10
Kookaburra II	8	3	9
Australia III	4	7	4
South Australia	2	9	2
Steak 'n' Kidney	0	11	0

SUNDAY'S RESULTS

Kookaburra II def. Australia III, 2:07
Kookaburra III def. Steak 'n' Kidney 4:00
Australia IV def. South Australia (withdrew)

MONDAY'S RACES

Australia III vs. Australia IV
Kookaburra II vs. Steak 'n' Kidney
South Australia vs. Kookaburra III
Monday's forecast: Southwesterly winds 8 to 14 knots.

Tennis

MEN'S TOURNAMENTS

(In Antwerp)

Quarterfinals

John McEnroe, U.S., def. Thomas Muster, Austria, 6-4, 6-1; Yannick Noah, France, def. Horacio de la Pena, Argentina, 7-6, 6-4; Jimmy Arias, U.S., def. American Aaron Krickstein, U.S., 6-1, 3-6, 6-3; Miloslav Mecir, Czechoslovakia, def. Andres Gomez, Ecuador, 7-5, 6-4.

Semifinals

McEnroe def. Noah, 6-2, 6-3.
Mecir def. Arias, 6-2, 6-1.

Final

McEnroe def. Mecir, 6-3, 1-6, 7-6 (7-5), 6-2

(In Stockholm)

Quarterfinals

Guy Forget, def. Kent Carlsson, Sweden, 7-6, 6-4; Mats Wilander, Sweden, def. Gary Donelly, U.S., 7-5, 6-0; Stefan Edberg, Sweden, def. Richard Matuszewski, U.S., 6-3, 5-7, 7-6; Henri Leconte, France, def. Tim Mayotte, U.S., 6-3, 6-4.

Semifinals

Edberg def. Leconte, 6-7 (3-7), 6-4, 7-6 (7-5).
Wilander def. Forget, 6-2, 7-6 (7-3).

Final

Edberg def. Wilander, 6-2, 6-1, 6-1

LANGUAGE

The Insignificant Other

By William Safire

WASHINGTON — If Jessica Lange attends, wrote Personalities columnist Chuck Conconi in The Washington Post last month, speculating on the appearance of movie stars at a glittery premiere, "then her significant other, Sam Shepard, who is also in the film, won't be far behind."

On the NBC sitcom "Night Court," in an episode written by Reinhold Weege, a man introduces his pregnant girlfriend to the judge with these words: "This is my significant other, Babs Townsend."

Dr. Shepard G. Aronson of New York City, who keeps me informed on the latest hospital-chart lingo, writes: "*Significant Other* now appears on admission forms of many hospitals. Since there is another heading, *Spouse*, should *Significant Other* be regarded as a substitution or addition to *Spouse*?"

We are witnessing the trendy trivialization of a useful psychological term. Harry Stack Sullivan, a psychiatrist who died in 1949, defined "personality" as a "relatively enduring pattern of recurrent interpersonal situations," especially involving relations with "significant others." For a child, those "others" could be parents; for gang members, the leaders; for students, influential teachers; for business executives, mentors. In Sullivan's teaching, a *significant other* had power over a subject, and helped shape values, norms and behavior. He avoided the obvious completion of the phrase — significant other person — perhaps anticipating confusion with the acronym, SOP.

LOVERS, mistresses and the people who write about them glommed on to the psychiatrist's phrase as a vogue variant of *live-in* (was too often confused with domestic help), *live-together* (never caught on) and *roommate* (does not connote a sexual relationship). The Census Bureau, seeking a neutral, non-intrusive term for the makeup of a household, played with *cohabitee* for a while and then settled on *POSSLQ* — Persons of the Opposite Sex Sharing Living Quarters.

We have failed to come up with a satisfactory term for an unmarried, long-term sexual relationship that does not convey moral disapproval. *Tootsie* is hopelessly outdated, *concubine* never made it in the Occident, and *cookie* has crumbled. *Gigolo*, from the French *giguer*, "to hop or dance," is directed, always contemptuously, at a well-supported male companion.

Lover should logically apply to both sexes, but it still connotes the male because *mistress* is invariably female: unfortunately, *mistress* still carries the suggestion of financial support, and is thus rejected as sexist. Nobody thinks of the *mistress* paying the *lover's* rent, although anti-sexists would argue that it is a perfectly sensible idea.

Paramour, from the French *par amour*, "by or in love," has the advantage of applying to either sex, like the married *spouse*. In addition, it seems to go along with the popular *para-* prefix (*paralegal, paramilitary* and *paraleipsis*), but the word connotes an arch illicitness. The Italian-derived *inamorata* implies less sneaking around, and has a masculine form in *inamorato*, but will never fly here.

Some people try the old *fiancé* or the archaic *betrothed* — in "Say hello to my betrothed," the word has three syllables — but that implies marriage, and the speaker may not want to make the commitment. A *friend* is what a fella or gal needs, but many consider that great word inadequate: "I hate that word *boyfriend*," writes Kristine Brower, an attorney in Lexington, Kentucky, "but I can't think of a better one — *significant other* is even worse." In current use, *boyfriend* and *girlfriend* can either mean a platonic relationship (exemplified in the cool "We've agreed to be friends") or imply a romantic attachment that could lead to marriage.

The latest entry in the "We live together, we're not married and we're not ashamed of it" sweepstakes is *convivante*, coined by Carl-Magnus Fallenius of Strangnas, Sweden, in 1979, from the Latin for "live together"; *convivere*, "to carouse together," led to *convivium*, "a feast," and the adjective *convivial*.

I wish hospital chartists would offer *spouse*, followed by *next of kin* and, finally, *sweetheart*. That last word is on the poetic side, but it does not draw leers, and we could all use a little romanticism in describing romances that exist without benefit of clergy. Leave *significant other* to the psychiatrists.

New York Times Service

The Top Bookseller in America

By N.R. Kleinfield
New York Times Service

STAMFORD, Connecticut — Harry Hoffman sounds insulted. He can't understand why book publishers don't pay more attention to him. "There are many heads of major houses that I've never met," he says. "I just met the CEO of one of the three or four biggest publishers at a cocktail function last week. I think these people should be coming here to see me."

As the chief executive officer of Waldenbooks, Hoffman, 59, from corporate headquarters in Stamford, presides over the United States's biggest network of bookstores, and the chain's steady growth has made him one of the most important influences on what America reads.

Already, any new title that a publisher expects to enjoy a spirited commercial run will generally have between 10 percent and 25 percent of its printing taken by Walden. Recently, for example, Waldenbooks ordered 213,000 of the 800,000 copies printed of Stephen King's "It" and 236,000 of the 850,000 copies of James Clavell's "Whirlwind." The potency of the chain is such that roughly one out of every nine sales of trade books (general-interest works, as opposed to textbooks or specialized books) is made by Walden.

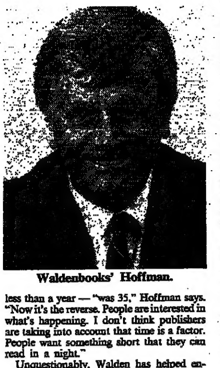
The reach of Waldenbooks seems to expand almost daily. Last month, in Stone Mountain, Georgia, the chain opened its 1,000th store. Long having exceeded its chief rival, B. Dalton Booksellers, in number of outlets (currently Dalton is at 778), Walden eked past in sales in 1984.

In July 1984 Waldenbooks' own long-time parent, Carter Hawley Hale Stores, sold the bookstore chain to the K mart Corp., the discount department-store empire, and Walden is now beginning to order books for some of the more than 2,100 K marts. Within five years, Hoffman says, the commingled Walden and K mart book sales could surpass $2 billion annually, quadruple Walden's present sales. Then, for placement in the two chains, Walden might be scooping up as much as half the print run of some of the hot books.

In light of these prospects Hoffman's attitude toward publishers is a mixture of benign tolerance, muted respect and frequent puzzlement. As marketers, he thinks they're pathetic. "The whole industry is lethargic in trying to reach the consumer. When I mention the K mart opportunity to publishers, there's no response. It's really kind of eerie."

The power Henry T. (Harry) Hoffman wields in the book industry raises prickly issues for publishers, readers and writers. His businessman's approach — serving first the cause of high sales, not the cause of good books — often puts him in conflict with publishing traditionalists.

"A few years ago, backlist was 65 percent of our business, and front list" — titles out less than a year — "was 35," Hoffman says. "Now it's the reverse. People are interested in what's happening. I don't think publishers are taking into account that time is a factor. People want something short that they can read in a night."



Waldenbooks' Hoffman.

Unquestionably, Walden has helped enlarge the book market by making reading a more accessible form of entertainment for large segments of the population. It has opened bookstores in areas that have never had any. Yet the chains concentrate primarily on commercial books, and give limited support to the more literary work of new authors and singular works of the past. Waldenbooks in particular is known for a merciless lack of patience.

Seven years ago, when Hoffman took charge, Waldenbooks was a sloppy organization. . Hoffman installed new systems; he brought in a design group that said gray decor would sell books best. A key move was to introduce book clubs that helped nurture customer loyalty. Walden now has a Romance Book Club, whose members are reached through a bimonthly newsletter called Lovenotes, a Science Fiction Book Club, a Mystery Club and the Happy Birthday Book Club, for children under age 14.

In the Green Acres shopping mall in Valley Stream, Long Island, New York, between Chess King and The Wild Pair, is Waldenbooks. It could just as well be in Utah or Indiana. All Walden stores look almost the same.

Ann Marie Gorman, who manages the place, doesn't really run it in the manner of a prototypical bookstore proprietor. There are no decisions to be made on what to stock and where to place it. Rather, she faithfully responds to orders from company headquarters.

The store is long and narrow, about 2,900 square feet (315 square meters), with gray industrial carpeting and bright fluorescent lighting. The front has a rack (called a gondola) displaying the top 10 best sellers according to sales tallied from all the Walden stores.

A succession of other gondolas feature the new hardcover fiction, followed by the new non-fiction and then biographies. There is a theme table that changes every two weeks. In front of the cash registers is a single book in a rack called Waldenbooks Recommends that the merchandising department selects each week as having wide appeal. That judgment, however, is conditional on a payment from the publisher, as much as $3,000, which Walden can command because any title so anointed ordinarily triples or quadruples in sales during that week.

There are displays of audiotapes, computer software and videocassettes, as well as things such as lap desks and tarot cards. Hoffman's estimate is that non-book products will account for 18 percent of sales this year, a total that could rise to 25 percent by 1988.

Publishers complain that lap desksmean less room for books. Hoffman says that the stores continue to hold as many books, mainly because more books are being displayed by their spine rather than their cover.

Another thing that Hoffman is stocking in the stores is Walden's own books. In 1984, under the Longmeadow Press imprint, Walden started bringing out cat and dog calendars, bargain books and "No-Nonsense" financial guides. It has also reprinted some children's books. The chain's markup on most publishers' books is close to 50 percent, but with the elimination of the middleman, Hoffman says, the margin swells to 70 percent.

Every Walden store also features a computerized cash-register system. Nightly a computer at Walden headquarters contacts the stores' cash registers, swallows up the day's transactions and fashions the data into, among other things, a list of the day's 100 best-selling titles.

Walden has long wanted to test a discount operation, and last year opened five Reader's Market stores, where all books were marked down from 10 percent to 25 percent. Business, Hoffman says, was "grim." Now he thinks the format will click at K mart. Eight Reader's Markets in K mart stores opened recently; 15 more should open this year, a total of 750 by 1991.

At this rate, Walden's reach five years from now will be staggering. What then? "I really don't know," Hoffman says. "Maybe this is an ego thing. But I really think the publishers should trust me. We're not going to hurt anybody. We're really not. Trust me."

This article was excerpted from The New York Times Magazine.

POSTCARD

Kafka and Censorship

By Clyde Haberman
New York Times Service

TOKYO — A BBC film based on the life of Franz Kafka was shown here at the opening of a three-day festival of television movies last week.

More accurately, most of the film was shown.

To the dismay of festival organizers, two flashes of frontal nudity had been blacked out under orders from Japanese government censors.

"We are really angry about it — those scenes were important," said the festival's producer, Jiro Yanagi. "But we had little choice. Time was limited and we had to decide quickly, so we agreed to the changes reluctantly."

For Japanese filmmakers and artists, the episode highlighted a legal restriction that many people in Japan find puzzling, given the country's ample contributions to erotic art over the centuries.

Under a public-morals law long upheld by the courts, genitals or pubic hair may not be shown in movies, books, sculptures or paintings. The Japanese Customs Bureau reviews imported works, even private videotapes sent by mail, and orders offending segments blotted out before they can be allowed into the country. Any cost involved is paid by the importer.

The Customs Bureau once ordered that 24 erotic prints by Picasso be dropped from a department-store exhibition and that 33 others be displayed only in retouched photographs.

What confounds many people, Japanese as well as foreigners, is that while the government bans such artwork it permits brutally violent sexual scenes — so long as pubic hair cannot be seen. Sadomasochism is a standard theme in the thick comic books that Japanese men read on commuter trains, and in television movies available in many hotels catering to businessmen.

Last year, customs officials allowed pubic hair to be shown in several films featured at the first Tokyo International Film Festival. That event was considered important to the city's cultural reputation, and officials clearly wanted to avoid possible censorship charges.

The World Television Festival, which ended Friday, received no such consideration. It featured 10 Japanese films and 10 foreign works.

The disputed BBC film, originally broadcast in Britain last February, is called "The Insurance Man" and is said to be based on Kafka's life. The scenes at issue showed people being forced, despite their tears and shouts, to remove their clothing in front of others. In both instances, there are only quick flashes of pubic hair.

Yanagi argued that the scenes were "an integral part" of the film's focus on the origins of Kafka's satires. Besides, he said, the festival was attended only by 100 Japanese television producers, not a general audience. "We really cannot understand why this was done," Yanagi said. "The scenes were needed for the film. They were not pornography."

According to the producer, the film was seized by customs officials Oct. 18 and declared to be "offensive to public morals." He tried to negotiate a compromise, to no avail. As the festival neared, he persuaded the BBC to agree to retouches.

Officials at the Customs Bureau declined to comment or to say how often they confiscate or order changes in films, paintings or books.

"This happens from time to time," said Katsuhiko Waza, a BBC representative in Tokyo. "Japanese Customs is very strict."

The film's director, Richard Eyre, who was contacted in London by the Japanese newspaper Asahi Shimbun, said, "I'm totally astonished that such a thing would happen in a country like Japan. Japanese Customs have made fools of themselves."

'Unfit' Books in Israel

The Associated Press

TEL AVIV — The Education Ministry has banned such books as Gabriel García Márquez's "100 Years of Solitude" and the works of Isaac Bashevis Singer as being unfit for students of religious schools, a ministry official said. Dov Landau, supervisor of literature studies in the department of religious education, told the daily Davar that Vladimir Nabokov's "Lolita" had been banned from the curriculum after it was included in the program "by accident."